



Downtown Pittsburgh Retail Market Analysis

**Undertaken On Behalf Of The
Pittsburgh Downtown Partnership**

MJB Consulting
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A Retail Real Estate Consulting Firm

Table of Contents

| <u>Chapter</u> | <u>Page</u> |
|--|--------------------|
| Acknowledgments | 3 |
| Executive Summary | 4 |
| Illustrative Map | 16 |
| Introduction | 17 |
| Chapter 1: Worker-Driven Retail | 19 |
| Chapter 2: Resident-Driven Retail | 35 |
| Chapter 3: Event-Driven Retail & The Dining/Nightlife Scene | 50 |
| Chapter 4: Student-Driven Retail | 72 |
| Chapter 5: Destination Retail | 82 |

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Executive Summary

Worker-Driven Retail

- With the Manhattan-like daytime foot traffic resulting from its density of well-educated, higher-income workers, the Golden Triangle can make a compelling case to "fast-casual" operators (i.e. fast-food service model, but with higher-quality ingredients, more sophisticated menu items, in a somewhat more upscale and contemporary setting, at a slightly more expensive price point; existing examples include Au Bon Pain and Qdoba Mexican Grill).

- Given that 59% of workers in the Golden Triangle are female, and 76% are aged between 18 and 44, the opportunity for concepts appealing to this demographic's desire for "affordable luxuries" and "guilt-free indulgences" is substantial. These include cupcake cafes, frozen-yogurt shops, nail/beauty salons, massage studios, etc.

- Even though other fine-menswear brands might be realistic targets for the Golden Triangle, their presence would have the impact of further oversaturating the market and imperiling long-time operators. One concept worth exploring, however, is the male-oriented beauty salon that, unlike traditional barber shops or value-priced brands like Supercuts, focuses on the grooming and pampering needs of the modern "metro-sexual" man.

- The most desirable locations for worker-oriented businesses would be Grant, between Sixth Avenue and Fifth Avenue, and the Lower Liberty-Fifth Avenue-Market Square area, with the latter offering more available spaces. Also, certain concepts, such as frozen-yogurt shops and male-only salons, might be intrigued by blocks that can draw from both office-worker concentrations as well as Downtown's student population-- like, for instance, on Wood Street, between Forbes and Fourth Avenue.

Resident-Driven Retail

- Due to its large daytime-worker population, Downtown already has a number of the convenience-oriented businesses that residents would want (e.g. drug stores, convenience stores, etc.), in addition to a new small-scale grocer. The problem is that these operators do not always align their closing hours with the schedules and needs of the growing in-town population. The PDP might explore the possibility of incentive programs that encourage them to remain open later.

- In order to establish itself as a livable "neighborhood", Downtown needs a "Third Place", a phrase coined by the sociologist Ray Oldenburg to refer to those informal meeting places, separate from home (the "first place") and work (the second), that anchor community life. Every culture has its own version: in Britain, for example, it is the pub, in Germany the beer garden. In the United States, it is usually the coffeehouse.

In pioneering neighborhoods, the coffeehouse takes on added import, as central gathering places that help to forge and cement a sense of community for a group of trailblazers who might otherwise feel that they are alone on the urban frontier. Examples include The Quiet Storm, in the Penn Avenue corridor, and Beleza Community Coffeehouse, in Mexican War Streets.

Downtown has its share of coffee bars, yet given their office-worker focus, these act more like assembly-line distributors of product, rather than "Third-Place" venues where one might want to linger a bit, read the newspaper, meet new people, spend the afternoon, etc.

An appropriate operator for a "Third Place" coffeehouse in the Golden Triangle is one that would be sufficiently capitalized in order to afford its relatively high rents, and with a certain level of up-market polish so as to appeal to the affluent empty-nesters moving to Downtown.

- The bookstore is another important part of perceived livability, particularly for the sorts of well-educated households that tend to populate downtowns. Indeed, large-format chains like Barnes & Noble and Borders can play a dual role, also acting as a "Third Place" of sorts, with their in-store cafes, comfy reading chairs, etc.

However, Barnes & Noble and Joseph-Beth Booksellers are unlikely to be interested; Borders is considering the possibility of putting itself up for sale, with Barnes & Noble one of the interested parties; and Books-A-Million, which is entering the Pittsburgh market, might not be sufficiently upscale to play a "Third-Place" role for the sorts of affluent residents who live in or are considering a move to Downtown.

- As the most basic of services, the grocery store is perhaps the most important retail milestone for a fledgling downtown neighborhood. Rosebud's prospects, however, remain uncertain.

Event-Driven Retail & The Dining/Nightlife Scene

- The greatest impact of the event venues in and near Downtown is likely to be in the dining and nightlife categories, with the Cultural District's theaters,

related arts attractions (e.g. Andy Warhol Museum) and the convention center as the primary drivers. Within that sphere, there is a diverse mix of possible offerings, to cover the wide range of tastes and sensibilities and the different needs and objectives that such traffic will encompass.

- If, however, Downtown's dining and nightlife scene is to reach the next level, it must emerge as a larger destination, one that can not just capture the conventioners, workers and residents already in the Golden Triangle, but also, draw on its own, from across the region.

The most effective means of achieving such status is to present a series of offerings that collectively fill a specific *niche* within the larger competitive marketplace, one defined and differentiated, in the minds of both consumers and tenants, by a target demographic/psycho-graphic that remains underserved by or has become frustrated with the existing choices.

- One such niche, emerging in the Cultural District, is the small but growing number of stylish bars (e.g. Bossa Nova, Sevice, etc.) catering to a somewhat older and more mature contingent of well-heeled professionals. Most of these offerings are hugely popular among daytime office workers, but they also sizzle well into the weekend night, with a crowd that does not appear to be in town for a convention or a performance.

Such establishments offer alternatives for those looking for a nightlife option other than a traditional "shot-and-beer" bar or a loud and sweaty dance club, for concepts that are more worldly and cosmopolitan, for spaces that are vibrant enough to be "happening" but also mellow enough to allow for adult conversation, and finally, for crowds that do not leave a 30+-something feeling old.

- Downtown also enjoys a number of advantages in the competition for higher-end dining concepts. Many upscale restaurants can be found on the South Side, but offerings like these would seem to make far more sense in, say, the Cultural District, than on the booze-fueled East Carson Street.

Furthermore, with the growing number of high-style nightspots, Downtown would also seem to be an appropriate setting for cutting-edge dining establishments, ones that, like Six Penn Kitchen, embrace a modern, contemporary aesthetic, or that, like Sevice, offer a cuisine or concept that is relatively new to the market.

- Efforts to expand on the Golden Triangle's existing dining and nightlife offerings would be accelerated by a Cordish-style project on the RiverParc site, taking advantage of, among other things, the proximity to the

convention center. For example, a "Cultural District Live!" would be particularly effective at drawing larger national brands that might be hesitant to consider Downtown otherwise.

Such complexes, however, often project a mid-market feel that would contrast with the upscale positioning proposed here for the Cultural District. Furthermore, while they do not always focus exclusively on national brands, care would need to be taken to ensure that the ones that are included do not replicate (and potentially cannibalize) what is already offered elsewhere in the region by cherished local icons.

- Generally speaking, Pittsburgh-area dining and nightlife impresarios should be preferred, because, in contrast to say, large-format fashion retail, these are categories where local entrepreneurs are more easily able to compete with national brands, executing similar concepts with equal if not even greater skill, and where, as a result, a larger pool of such operators exists.

Moreover, in an era of increasing homogeneity, such local operators can serve to differentiate Pittsburgh in the minds of conventioners and other visitors, as well as underscore one of the region's more appealing virtues, its pride in the locally-grown (as evidenced by the satisfaction taken in the role that Millcraft Industries has played in Downtown's recent re-emergence).

- Not surprisingly, given its concentration of event venues, the undisputed center for dining and nightlife in the Golden Triangle is the Cultural District, but with the opening of Capital Grille and McCormick & Schmick's at Piatt Place, other high-profile redevelopment projects as well as on-going improvements in the public realm and pedestrian connectivity, the Fifth Avenue/Market Square area is poised to challenge that dominance.

Also, one cannot help but feel that dining and nightlife operators will ultimately gravitate to the human scale, historic buildings and atmospheric streets of Firstside, particularly the Market and First Avenue corridors. Similar urban neighborhoods elsewhere across the country have re-emerged in precisely this fashion. Indeed, there is even a history of such use there, with the wildly-popular but now-defunct Froggy's.

Specifically, Firstside is well-positioned to take advantage of the limitations of liquor licenses on East Carson Street, with youth-oriented nightlife impresarios possibly becoming interested in its location just across the Smithfield Street Bridge from Station Square (see above), and its nearby student population.

Since they would be geared towards a different, younger audience, such venues would *not* jeopardize the upward momentum of nearby Market Square, and since they would be confined to the Firstside district, they would not introduce an unwelcome East Carson Street-style rowdiness to the mature nightlife quarters in the Fifth Avenue/Market Square area or in the Cultural District.

Student-Driven Retail

- In spite of their low incomes and seasonal presence, countless case studies from across the country demonstrate that students can be a powerful force for retail regeneration.

Taken together, the two educational institutions in the Firstside neighborhood combine for an enrollment of 6,800, roughly equivalent to the number at the Xavier University in Cincinnati, OH, for example. Furthermore, students account for over half of Downtown's residential population, and one can assume that a high percentage do not have cars and are "captive" consumers.

In its Advisory Services Panel for Point Park University, the Urban Land Institute (ULI) underestimated their potential impact, neglecting to include, for some reason, the 3,200 at the Art Institute of Pittsburgh, or, for that matter, the roughly 1,100 at the Pennsylvania Culinary Institute and the 10,000+ at Duquesne University, which, despite the recently-opened "Power Center", still lacks a true "college-town" feel.

- A sales pitch highlighting the artsy vibe of the student population as well as the large number of 20-somethings in the office buildings could prove effective with certain youth-oriented "alternative" fashion brands. Indeed, this market presents one of the two most promising opportunities in the Golden Triangle for boutique retailing.

Students also provide support for other types of retail already discussed in connection with the daytime-worker population, such as fast-casual eateries (a category which they helped to create and for which they have always exhibited strong demand), frozen-yogurt shops, male-only hair salons, etc.

Businesses looking to cater to both of these sub-markets are likely to be drawn to the stretches of Wood and Smithfield north of Firstside that enjoy proximity to both its educational institutions as well as Downtown's major office-building concentrations.

- Although Firstside is never going to be Oakland, it can and needs to attract some of the iconic businesses that define a classic "college town". For example, while it has a Starbucks Coffee, it lacks a true coffeehouse that can serve as that "Third Place" for students, with comfy chairs, free wireless, later hours, perhaps a vaguely artsy/alternative vibe (given the Art Institute), etc. Another staple is the 24-hour diner, not only for students pulling "all-nighters", but also, for revelers from just across the bridge at Station Square.

- Point Park University has established itself as *the* driver in this part of Downtown, yet as ambitious as its "Academic Village" plan is, one could think even more broadly about the opportunity that the Firstside neighborhood presents. The responsibility falls to PDP to take the lead in this respect.

For example, the "Academic Village" plan concentrates efforts largely on Wood Street and the Boulevard of the Allies (as well as Forbes Avenue, with the Pittsburgh Playhouse). However, PDP should expand the focus west to Market and east to Grant, so as to allow for the inclusion of other corridors like Smithfield, First Avenue and Market.

Smithfield not only offers a higher level of foot traffic than Wood and a more continuous stretch of storefronts, but also, it sits at the nexus of Point Park University and the Art Institute of Pittsburgh, and is a block closer to Duquesne University. As such, it is the corridor where most student-oriented businesses would most likely want to locate. And as discussed earlier, the atmospheric streets of First Avenue and Market offer dining/nightlife potential.

- PDP should discourage Point Park University from burying retail uses, like a "Third Place" coffeehouse, within a self-contained, Student Union complex. Doing so would, as in an enclosed mall, waste an opportunity to create synergies on the street level, transform perceptions of Firstside (as a place of youthful vitality and emerging community), and fashion a true urban "village".

Destination Retail

- In contrast to businesses that derive much of their sales from people who are in Downtown primarily for other reasons (e.g. work, home, events, etc.), "destination" stores are able to draw shoppers on their own, without help from other uses. Their customer base lives elsewhere, but it is willing to make the trip Downtown just for them.

Destination stores typically sell comparison goods, i.e. goods for which consumers prefer to "comparison-shop", such as fashion-related merchandise, like clothing, shoes and jewelry. Only rarely, as in the case of cult-like brands such as Whole Foods and Trader Joe's, do they focus on every-day conveniences.

- Downtown can offer the sort of compelling narrative and upward trajectory that certain aspiring and existing boutique-owners are likely to respond to. Also, it boasts higher levels of foot traffic, greater visibility and a more central location than any of the other alternatives in the region.

- While the ground-floor rents in many corridors in the Golden Triangle are at a point that most independents simply cannot sustain, "Upper Liberty", i.e. the stretch of Liberty between Eighth Street and Tenth Street, is priced more affordably, and in addition, can tap the Cultural District's narrative and brand as well as draw on the presence of the pioneering Chick in marketing itself as Downtown's emerging boutique cluster.

- In certain respects, Upper Liberty might not seem like an ideal location for this sort of retail, but the corridor does offer relatively high visibility and foot traffic. Boutiques are risky endeavors, and while such entrepreneurs can sometimes thrive on a sleepy street with strong "word-of-mouth", a lack of pass-by would only add to the list of challenges that they must overcome, and further diminish their odds of success.

And while the Cultural District has already been earmarked (above) for additional nightspots and restaurants, boutiques could not only co-exist with such uses on Upper Liberty (where the rents remain sufficiently affordable), but also, it is hoped, take advantage of the stretch's visibility to these night-lifers and diners, who might then return in the future, during the day, to shop there.

Indeed, the high visibility of Upper Liberty, as a major Downtown thoroughfare and with its proximity to wider draws like the Cultural District theaters, the Convention Center and the emerging dining/nightlife scene in that part of town, means that a clutch of boutiques there could have a disproportionately positive impact on the Golden Triangle's brand image throughout the region and beyond.

- One other possibility for up-market boutiques in the Golden Triangle is Forbes Avenue, between Market Square and Smithfield, although the potential of this still-sleepy stretch is perhaps longer-term, once/if the energy of Market Square starts to spread eastward, "The Gardens" project is developed, the street's profile rises and its levels of foot traffic increase, etc.

The more immediate opportunity here, and on the nearby stretches of Wood and Smithfield, is for boutiques geared towards a younger, more budget-conscious shopper, including students and twenty-something cubicle dwellers (see the above section on "Student-Driven Retail") as well as lower-income African-Americans.

- The kinds of concepts most likely to be successful on Upper Liberty are the ones that focus on a relatively high-paid, style-conscious shopper, the sort who might already be buying at Chick, patronizing the growing number of more mature nightspots in the Cultural District, working in the nearby office buildings, etc.

- Given the role that boutiques could play in creating a distinctive shopping destination, PDP should, in collaboration with its foundation partners, develop a fund for providing assistance, for example, with build-out, inventory and working capital, as well as bankrolling advertising campaigns and web consultants.

- Although not thought of as upscale, certain large-format, discount-oriented box stores enjoy immense popularity among affluent consumers. Target, or "Tar-zhay", is only the most obvious example: wealthy shoppers are also drawn to certain "off-price" fashion retailers, where they can take pleasure in finding bargains on designer labels for which they would otherwise have to pay full-price at mall department stores.

From a larger perspective, these sorts of tenants are ideal for downtowns like Pittsburgh's because their appeal cuts across cultural and socio-economic lines, enhancing the Golden Triangle's image among opinion-makers and potential tenants/investors while at the same time remaining affordable to lower-income households.

After removing the trade areas of formidable competitors like The Waterfront at Homestead and Waterworks Mall, income levels within the primary trade area that remains for Downtown might simply be too low for many of these upscale box brands. However, the presence of Saks Fifth Avenue could enable such a retailer, with a store in the Golden Triangle, to capture additional "impulse" shoppers from beyond the primary. And the opportunity is even more intriguing if an existing location (at, say, The Waterfront) is enjoying such extraordinarily high sales that it can help to justify the opening of another store nearby.

- "Ubiquitous" brands are ones that have already blanketed the region's major sub-markets, while "in-betweeners" chains have stores in more than

one but not all of them. These include mall standards as well as successful local chain-lets.

A Downtown location for either a ubiquitous or in-between chain would not be a true destination but rather, would have to rely heavily on other anchors and drivers for "impulse" shoppers. For this reason, co-tenancies are especially important to such operators: a critical mass of complementary retailers must be in place, or else they will not have what they need.

In the case of the Golden Triangle, the other demand-generators on which it would be relying -- anchors like the Saks Fifth Avenue and the Macy's (which is itself ubiquitous), and drivers such as the large and dense daytime-worker/business-traveler population -- simply do not provide enough store traffic on the all-important weekends.

Some of the remaining possibilities have already opened stores at SouthSide Works. Moreover, Saks' departure would reduce the prospects still further: indeed, one has to wonder whether the ubiquitous brands still in the Golden Triangle would even remain. Having said that, there remain a few such retailers -- primarily local chain-lets -- that might be pursued.

- The Golden Triangle, of all of the major shopping destinations, would seem to be the one best-positioned to capture the one-per-market luxury retailer. It sits at the center of the region's road network, at the intersection of I-376 and I-279, the only location within the second ring where two freeways intersect.

However, the Nordstrom brand is one of the few that is strong enough to overcome such centrifugal forces. As one local broker said, "women will walk barefoot through glass and barbed wire to shop at Nordstrom", and as recent announcements at Ross Park indicate, luxury retailers will do the same. Downtown had its chance; sadly, it failed to take advantage.

Yet even with Ross Park's current momentum and competitive edge, it is still worth making a concerted effort to attract certain "game-changing" brands. The probabilities of success might be low, but the reward would be huge, in terms of the additional weekend traffic generated (and the new retailers that materialize as a result), the reversal of momentum and the injection of morale for Downtown vis-à-vis Ross Park.

- At present, the strongest location for such up-market brands is Smithfield Street, specifically the four-block stretch from Forbes to Strawberry Way. But with available space limited on Smithfield and with the development of big-splash projects and potential for sizable floor-plates on Fifth Avenue, up-

market destination retailers now might be willing to take a fresh look at the latter corridor, especially the block closest to Smithfield.

In this respect, the intersection of Smithfield and Fifth Avenue is Downtown's "100% corner", and the re-tenanting of the Mellon Bank Building (the former Lord & Taylor), at that pivot, is the critical piece. Another key parcel is the one across from Piatt Place, at the southeast corner of Wood and Fifth Avenue and including the Lerner Building.

- Given that one of Downtown's competitive disadvantages is its relative lack of possible spaces to offer to prospective tenants, the PDP should work with the Urban Redevelopment Authority (URA) to obtain site control over key parcels that have long been in the hands of property owners either not interested in or able to redevelop for higher-value retail uses.

- Just as the PDP and URA would be acting like the typical mall developer in establishing site control, they should do so in the offering of incentives and provision of assistance to new tenants, such as boutiques, up-market box brands and one-per-market retailers, exploring the possibility, for instance, of funding the build-out of such spaces to meet their needs.

This is a *critical piece* in attracting retail -- especially larger anchor stores -- to the Golden Triangle. In order to compete on a level playing field with shopper-center developers, Downtown *must* be willing and able to offer the same sorts of carrots, and property owners do not necessarily have the incentive or the wherewithal to assume this burden.

- Just as importantly to the tenant recruitment effort, the PDP and URA should do whatever it would take to retain key anchors like Saks Fifth Avenue. While many of the neighborhoods near Downtown consist predominantly of lower-income households, the presence of Saks creates a larger trade area with much stronger demographics, e.g. higher household incomes (roughly \$80,000 average, \$53,000 median) educational attainment (42% with B.A.'s or more) and occupational levels (75% white-collar). And without Saks, most of the up-market destination brands proposed in this report (and already in Downtown) would have little interest in the Golden Triangle. For these reasons, no effort or resources should be spared in the push to keep the department store there.

- The PDP should continue to work towards a permanent policy of free evening/weekend parking during the holiday shopping season. In terms of the parking tax, it remains critically important that the City continue with State-mandated reductions. And in order to decrease the effective cost still

further, the PDP should focus once again on the creation of a parking validation program.

- With so few destination retailers in the lower-income neighborhoods close to Downtown, and with so many households there reliant on mass-transit and easily able to access Downtown by bus, it is important that the Golden Triangle retain its role as a major shopping destination for this demographic.

The issue, of course, with many of these stores is that their presence and target shopper can be a deterrent to other prospective retail and non-retail tenants, and de-value Downtown's brand in the minds of suburbanites, visitors and potential investors. Regardless of how one feels about this or what it says about our culture, it is the reality.

- The solution would seem to lie in "cross-over" retail. In addition to the upscale box brands, there is another sub-set of operators -- the "*mid-market*" box brands and mall-based in-line chains -- that appeal even more directly to lower-income shoppers but remain both acceptable to (and are patronized by) a broader demographic. An existing example is Burlington Coat Factory.

- An important anchor for mid-market (and, to a lesser extent, up-market) retail is Macy's. PDP should lobby the chain to reinvigorate its Fifth Avenue flagship, while at the same time working with it to coordinate a possible redevelopment of the enormous building, involving, for example, a smaller, more appropriate retail floor-plate along with other uses on the higher floors.

- Wood between Fifth and Forbes should be designated as the "mid-market" block, with the tenant mix in the PDP/URA-led redevelopment of its east side including the sorts of mid-market box and in-line brands referenced above. This positioning makes sense in light of the demographic to which the corridor currently caters, but represents an improvement on the tenant mix there now. At the same time, it fits with the value-oriented, student/20-something retail envisioned for Wood south of Forbes.

- As for the issue of buses on Fifth Avenue, one possible compromise is to keep the routes but remove one of the two stops at Wood and Smithfield, preferably the one at Smithfield, so as to improve the tenanting potential of spaces closer to that corridor, while at the same time reinforcing Wood between Fifth Avenue and Forbes as this new mid-market (transit-accessible) shopping destination.

- Of course, while higher-end anchors and projects might be able to accept mid-market retailers on the next street, they would not necessarily welcome them *next door*. In deference, then, to Piatt Place's co-tenanting needs, the more upscale box brands, which are typically not unwilling to co-locate with their mid-market brethren, should be pursued for the space at the southeast corner of Fifth and Wood, and the bus stop kept on the southwest corner of that intersection.

- This overall concept would yield a core shopping area that serves as a true "cross-roads", that raises the tenanting standard, moves demographically to the other side of the "tipping point" and protects/enhances the value of recent investments on Fifth Avenue, but at the same time, appeals across socio-economic/cultural lines and remains accessible to the lower-income shopper.

Downtown Retail Districts:

“Destination” Retail

“Cross-over” Retail

Student Oriented Retail

Boutiques

Dining/Nightlife/Residential



Introduction

In February 2008, the Pittsburgh Downtown Partnership (PDP), with funding from the Heinz Foundation, hired New York, N.Y.-based MJB Consulting, a national retail real estate consulting concern, to undertake a retail market analysis for Pittsburgh's "Golden Triangle", defined as the area between the Allegheny River, the Monongahela River and I-579 (Crosstown Boulevard).

The purpose of our engagement was two-fold: one, to provide strategic direction on how, with regard to retail, the PDP should be focusing its energies and resources, specifically, what streets, which sub-markets, etc., and two, to generate a list of prospective tenants that PDP could then pursue on behalf of existing property owners and developers.

Our scope-of-work included the following steps:

- Four (4) meetings with the PDP's Downtown Task Force, which functioned as a steering committee for the purposes of this effort
- Review of previous plans and studies on Downtown retail
- Inventory of ground-floor retail space in Downtown
- Extensive surveying and assessment of competing business districts and shopping centers, both existing and future
- Interviews with prominent retail brokers active in Downtown, including Grant Street Associates, GVA Oxford, CB Richard Ellis and Langholz Wilson Ellis Inc.
- Meetings with key stakeholders in Downtown, including The Pittsburgh Cultural Trust and Point Park University
- Discussions with Patty Burk, PDP's Vice President of Housing and Economic Development, about the Downtown housing market, and participation at the 2008 Fourth Annual "Walk and Dine" tour to better understand the sensibilities and preferences of likely residents
- Analysis of the demographics and psycho-graphics for this primary trade area, and of the demographics for a second trade area consisting of Saks Fifth Avenue's highest-grossing zip codes (hereafter to be referred to as the "Saks Fifth Avenue trade area")

As part of our approach of "total immersion", Michael J. Berne, the firm's President and the author of this report, spent upwards to four (4) weeks (including four weekends) in Pittsburgh during the course of the study, so as to develop a firm understanding of the study area and the competition which it faces in the areas of shopping, dining and nightlife.

We concentrated in our analysis and in this report on the traffic "drivers" with the most influence on Golden Triangle retail today, rather than the niches that would need to be created from scratch. This focus is based on the precept, considered axiomatic in marketing circles, that one should try to generate more sales from existing customers before endeavoring to attract new ones.

The report is therefore organized as follows: each of the five chapters is devoted to one of these five existing drivers -- workers, residents, event-goers (and dining/nightlife, more generally), educational institutions and destination niches -- and consists of an analysis of the relevant factors that impact on the tenanting potential corresponding to that respective driver.

A map illustrating the findings of our positioning strategy, created by Sean Luther from PDP, can be found immediately after the executive summary. Trade area demographics and psycho-graphics are reviewed in the chapter on destination niches. Finally, we have generated "detail sheets" for sixteen (16) prospective tenants, with each one providing detail on site-location strategy, expansion plans, contact info, etc. These are contained within a separate document.

Finally, keep in mind that MJB Consulting was *not* hired to develop a larger retail strategy for the Golden Triangle, but merely, to analyze the market and provide some direction in terms of positioning and mix. PDP is assuming the role of taking the findings and recommendations of this report and translating them into a plan for implementation.

Chapter 1

Worker-Driven Retail

Greater Downtown Pittsburgh boasts roughly 140,000 office workers¹, a relatively high number for its peer group, exceeded only in Minneapolis (165,000) and Cleveland (148,000).

And in contrast to those downtowns, Pittsburgh's is very compact, with a high density of workers-per-square-mile, resulting in a weekday-daytime vitality normally associated with Manhattan's Midtown or Chicago's Loop.

Downtown Worker Populations in Peer-Group Cities

| City | Number |
|-------------------|----------------|
| Minneapolis | 165,000 |
| Cleveland | 148,000 |
| Pittsburgh | 140,000 |
| Indianapolis | 127,000 |
| Columbus | 100,000 |
| St. Louis | 88,000 |
| Cincinnati | 83,000 |
| Detroit | 80,500 |
| Milwaukee | 78,000 |

Furthermore, due to the high cost of parking and the availability of transit, almost half of Downtown workers commute to their jobs by bus or rail, and do not have access to a car², leaving them dependent on their own two feet to get from one place to another: they must walk to get their lunch, their coffee or their ride home.

The presence of this large, dense and captive daytime-worker population explains the prevalence of fast-food purveyors, coffee bars and various convenience-oriented businesses (e.g. drug stores, bank branches, etc.) in Downtown's retail mix.

The high worker densities, combined with the fact that office workers typically do not walk more than a few blocks for lunch or errands³, explain why certain brands are willing to open multiple locations in Downtown

¹ According to figures from the Pittsburgh Downtown Partnership. Greater Downtown Pittsburgh encompasses the Golden Triangle, North Shore, the South Shore, the Strip District and Uptown. The Golden Triangle itself has roughly 97,000 office workers, but this larger area is used for the comparison because it is assumed that downtowns in other cities are also including adjacent districts so as to boost their numbers.

² Unless, of course, they take advantage of the widely-available Zipcar service.

³ According to a 2004 survey of several U.S. downtowns by the International Council of Shopping Centers (as quoted in Real Estate Planning Group's March 2007 "Downtown Pittsburgh Grocery Store Demand Feasibility Analysis"), 90% of downtown office workers will walk no more than three blocks for lunch.

Pittsburgh and open new branches so close to existing ones, like they do in first-tier downtowns such as Manhattan.

For example, despite having more workers (and a larger residential population), Downtown Cleveland can point to just one Au Bon Pain⁴, versus eight in The Golden Triangle. And it has just two large-format drug stores (both CVS branches), as opposed to six (four CVS locations, two Rite Aid's) in Downtown Pittsburgh.

Even smaller local operators are seeing the opportunity for more than one location in Downtown Pittsburgh. Fernando Decarvalhalho, the owner of Fernando's Café, opened Fernando's Gourmet Eatery at Two PPG Place last spring, so that he could offer a more convenient location to loyal customers who were walking from as far as ten blocks away to his popular lunch spot at Liberty and Tenth Street. "We thought we needed to accommodate them with something else on their side of Downtown," Decarvalhalho said. He is also scouting for a third site near Grant.⁵

Upmarket worker-oriented retail

Downtown Pittsburgh does not just offer sheer numbers, however. With the corporate headquarters of six Fortune 500 companies and numerous other large concerns, the employment base is decidedly white-collar, with a large percentage of those 140,000 workers enjoying middle or upper-income household incomes (i.e. \$35,000 and up).

The combination of density and incomes means that Downtown Pittsburgh also should (and is finally starting to) appeal to specialty-food purveyors like Starbucks Coffee and Crazy Mocha, as well as the new breed of "fast-casual" restaurants.

"Fast-casual" refers to eateries that use a fast-food service model (with the customer ordering at a counter and busing his own table) but

Corporate Headquarters in Downtown Pittsburgh

Fortune 500 Companies

- PNC Financial
- Mellon Financial
- H.J. Heinz
- PPG Industries
- U.S. Steel
- Allegheny Technologies

Other Large Companies

- Dollar Bank
- Federated Investors
- GNC
- Duquesne Light
- Highmark
- UPMC

Regional Headquarters in Downtown Pittsburgh

- National City Bank
- Citizens Bank
- Dominion Resources

⁴ Downtown Cleveland also has one Atlanta Bread location. Atlanta Bread is similar in concept to Au Bon Pain.

⁵ As quoted in a March 7, 2008 *Pittsburgh Business Times* article by Tim Schooley, entitled "Fernando's Café to expand to second location".

offer higher-quality ingredients and more sophisticated menu options, in a somewhat more upscale and contemporary setting, at a slightly more expensive price point. Well-known examples include Chipotle Mexican Grill and Panera Bread.

Downtown is grossly under-supplied in fast-casual and coffee-bar categories, thus explaining the recent expansion of Au Bon Pain, with new locations in Dominion Tower and Gulf Tower; the opening of a Qdoba Mexican Grill, at Liberty and Wood; the arrival of Moe's Southwest Grill on Market Square; the interest of Cosi (see photo) in the Golden Triangle; the Crazy Mocha branches that have materialized on Market Square and at Liberty and Wood; etc.



COSI: A fast-casual restaurant for lunch, a coffeehouse throughout the day, and a dessert/wine bar at night. This is one of the franchise's Center City Philadelphia's branches. Corporate is reportedly looking to introduce the brand to the Pittsburgh market with a first location in the Golden Triangle.

With the Manhattan-like daytime foot traffic resulting from its density of well-educated, higher-income workers, the Golden Triangle can make a compelling case to fast-casual and specialty-food operators, and should work to expand its selection by targeting additional concepts both nationally and locally.

In terms of fast-casual, it should pursue operators that are already in the region and clearly interested in growing, including nationals such as **Camille's Sidewalk Café** (with one location, in Oakland) and **Five Guys Burgers and Fries** (two units, one in Oakland and another in Fox Chapel), as well as locals like **Pizza Sola** (three, in the South Side Flats, East Liberty

and Oakland) and **Mexico City** (two in the Golden Triangle, on Smithfield and Wood).



Five Guys Burgers and Fries is one of a growing number of "**better-burger**" chains across the country that are trying to upscale the American staple. For example, it serves "cooked-to-order" burgers, with fresh (never-frozen) beef patties and gourmet toppings like sautéed mushrooms.

Also, there are a host of national brands that have yet to establish a presence in Western Pennsylvania but that might be approached about the possibility of doing so. Examples include more upscale sandwich/salad/soup eateries such as **Atlanta Bread Co.**, **Corner Bakery Café** and **Nature's Table Café**, as well as salad-focused concepts like **Saladworks**.



A fast-casual concept yet to reach the Pittsburgh market is the "**tossed-to-order**" **entrée-salad eatery**. At Saladworks, customers can pick one of the "signature salads" on offer, or customize their own, from a range of ingredients and choice of dressings. Saladworks has locations across Pennsylvania -- indeed, it is based in Conshohocken -- but none yet in Pittsburgh.

And finally, there is a collection of local single-unit operators that might be intrigued by the opportunity to open a second location. Examples include **Eat Unique** (Oakland), **Bistro To Go** (Deushtown), **Sushi Boat** (Oakland) and **LuLu's Noodles** (Oakland). Other possibilities could be found in nearby cities, like **Irving's** (State College).



Irving's serves bagels, sandwiches and coffee in a spacious and contemporary-looking environment on College Street in Downtown State College.

Of course, one of the biggest challenges in trying to attract fast-casual brands to the Golden Triangle is its relative lack of evening and weekend traffic, which means that, in contrast to locations in residential neighborhoods or suburbs, it is heavily dependent on the weekday lunch hour.

And while the Golden Triangle's population is growing, it is still a very small number compared to what such concepts might need to ensure sufficient evening and weekend patronage, and many of them, especially the larger national brands, are likely to make their decision based on who lives in Downtown now, and *not* how many might be there in the future.

The current daytime skew still works for certain types of food -- sandwiches and salads, for instance, which are consumed primarily at lunch, hence, the proliferation of such concepts in downtown settings -- but it can present more of a problem for dinner-type fare, like Italian cuisine or even Asian noodle houses.

For example, it may prove unacceptable to larger noodle-house franchisors such as Noodles & Company and Nothing But Noodles. However, a local,

less prototype-driven operator, like, perhaps, a LuLu's Noodles, might be more willing to be flexible in developing a workable model, or to take a chance on the fledgling residential market.



Local operators are often a more worthwhile target than national ones in cases that require flexibility or faith.

Another challenge is that most of these fast-casual brands (as well as many brands in other non-food categories, for that matter) expand by franchising, and the ones proposed above (or below) do not necessarily have such a partner yet for the Pittsburgh market. And, of course, single-unit concepts might not want to grow at all, or, if from another city, would only do so as a franchisor or consultant to a local entrepreneur.



Corner Bakery is in the process of expanding aggressively via franchising, and has been signing agreements in various states and regions across the country -- for example, it has partnered with Newtown, PA-based The Rose Group to open 25 locations in the Philadelphia/South Jersey area -- but the fast-casual brand does not yet have a franchisee for the Pittsburgh market.

In addition to fast-casual restaurants, a number of other specialty-food concepts might be considered. For example, **Jamba Juice** is a large national smoothie-drink chain that recently debuted in the region with a location at Duquesne University's "Power Center" development in Uptown, and that might see the opportunity for capturing a different market in Downtown proper.

Another is the cupcake café. First popularized by New York's Magnolia Bakery on *Sex & The City* in the late 1990's, the concept developed a trendy cachet and spread to other cities, appearing in Pittsburgh at the end of 2006 with the opening of **Dozen Cupcakes** in Squirrel Hill (also now in Lawrenceville) and **Coco's Cupcake Café** in Shadyside. Both of these operators have expressed interest in a Downtown location.



Coco's Cupcake Café, drawn by the daytime traffic, the theater crowd and the student presence, would open a location in Downtown if the price were right. It would not need as large as space as the roughly 1,000 sq.ft. footprint it occupies now on Ellsworth, but it could probably not afford a rent higher than the high teens per-sq-ft.

Finally, frozen yogurt. This treat, with its low-calorie, low-fat reputation, has become the latest craze in coastal trend-setter cities in the United States, especially the tart variety imported from South Korea via California and sold in the high-style shops of franchisors like Pinkberry (which has developed such a cult-like following -- mostly through word-of-mouth -- that it has been nicknamed "Crack-berry").

The most likely of these brands to consider Pittsburgh at this stage is probably **Yogurberry**, which is based in South Korea but already in six U.S. states. Another possibility is **Tasti-D-Lite**, an earlier variant, started in New York City, that offers a more traditional, sweet taste but still, with very low calorie and fat counts.



High-style interior at
Yogurberry

Affordable Luxuries and Guilt-Free Indulgences

The primary market for such cupcake cafes and frozen-yogurt shops consists of young women, who have spawned a growing industry of businesses selling affordable luxuries or guilt-free indulgences. In Downtown, where 59% of the workers are female, and 76% are aged between 18 and 44⁶, the opportunity for such concepts seems substantial.

Take, for example, the nail/beauty salon, which has proliferated in larger cities and across the country over the last decade, with the total number nationwide doubling between 1997 and 2007. Such businesses have become ubiquitous on the streets of Manhattan, where, as a result of high customer volumes and fierce competition, prices are very low.

⁶ According to figures from the Pittsburgh Downtown Partnership.



As an example of the impact of high customer volumes and fierce competition on the streets of Manhattan, Bloomie Nails, a fast-growing franchise, offers a clean, fast manicure in an upscale environment (with individual "mini-TV's" at each drying station) for \$12. A pedicure can be had for \$27, and a combination for \$39.

Of course, one can point to Izzazu Salon on the Boulevard of the Allies and Elizabeth Arden Red Door Salon at Macy's, but with its level of daytime foot traffic and volume of potential customers, one would think that Downtown Pittsburgh, while not quite the same as Manhattan, would at least be able to support a larger number of such moderately-priced "drop-in" establishments than it has currently.

Low immigration levels might be partly to blame. Newcomers from East Asia -- Vietnamese in California, Korean (and increasingly, Chinese) in New York -- dominate this industry, and Pittsburgh does not have a large number. However, in response to over-saturation in major markets, some are migrating to and opening salons in metros in the Midwest and South without large Asian populations.⁷

Furthermore, a growing number of operators are looking to expand beyond their initial markets and become true national brands. One example is **Dashing Diva**, a Long Island, N.Y.-based franchisor, started by a Korean immigrant, with a concentration of salons in New York City but now also with branches in California and North Carolina.

Aside from its relentless attention to cleanliness, Dashing Diva has distinguished itself with its decidedly girly "Pink Pedicure Lounge", where on Thursday and Friday nights, women can have pedicures while sipping free cocktails. Yet even with the upscale feel, it is still cheaper than Izzazu, with a basic manicure at the location in downtown Pasadena (CA) costing \$15 (versus \$18), and a pedicure \$35 (versus \$42).

⁷ According to Thao Ha, a University of Texas sociology doctoral student, who wrote a Master's thesis on Vietnamese nail salons.



The "Pink Pedicure Lounge" at
Dashing Diva

Another affordable luxury is a massage. While not typically considered affordable -- the typical rate for the service ranges from \$60 to \$95/hour -- a rapidly-growing franchisor of up-market studios, **Massage Envy**, charges just \$39 for a "walk-in" one-hour massage as an introductory offer, and then \$49 with a monthly membership fee thereafter (and \$39 on a second one in a given month).

Massage Envy typically favors strip malls for their convenience, although one of the two Western Pennsylvania studios is on Squirrel Hill's Forbes Avenue. And while the local area developer cites a preference for "affluent neighborhoods"⁸, a Downtown location, offering convenience to a large number of chair-bound, stressed-out office workers, would seem to be a natural fit for the concept.



The lobby of a **Massage Envy** studio

Finally, female professionals also provide a weekday-daytime market for up-market "destination" retail, supplementing sales at stores like Saks Fifth

⁸ As according to a November 24, 2006 *Pittsburgh Business Times* article by Tim Schooley entitled "Arizona massage chain has plans for 20 locations in Western Pa."

Avenue, Chick, Ann Taylor and Emphatics. This is discussed in greater detail in the corresponding section below.

Fine menswear

Due to the historically high percentage of males in financial districts, downtowns have long been favored locations for fine-menswear retailers. And because many of those stores are still in existence, and because men typically do not like to shop on the weekends, they remain concentrated there.

Indeed, in comparison to many of Downtown's female-oriented comparison goods stores, these fine-menswear retailers typically derive a relatively high percentage of their sales from weekday-daytime office workers. Joseph Orlando, for example, estimates that 70% of its customers work in the Golden Triangle.⁹

The Golden Triangle's collection of such retailers impresses in comparison to other downtowns in its peer group, with the only traditional, full-priced Brooks Brothers in the region -- which signed a new ten-year lease in 2003 -- as well as Larrimor's, Jos. A. Bank Clothiers, Joseph Orlando, Kountz & Rider, Montaj Customer Clothier, N.J. Richetti's, Lydell's For Men and, of course, the men's departments at Saks Fifth Avenue and Macy's.



Brooks Brothers was sufficiently pleased with the performance of its Downtown location -- its only traditional full-priced store in the region -- that it signed a new ten-year lease for its 10,000 sq.ft. space in 2003.

However, Downtown does not boast the same number of these stores as it once did. Specialty Clothing Co., for example, closed its doors in 2005. And fierce competition has forced two others to reposition in an effort to remain

⁹ According to Joseph Orlando Jr., manager of day-to-day operations, as cited in a September 11, 2006 *Pittsburgh Post-Gazette* article by Lamont Jones, entitled "Loyal customers, service keep small group of Downtown men's stores alive".

relevant: Joseph Orlando is trying to appeal more to younger men as many of its loyal customers retire¹⁰, while Lydell's For Men has looked increasingly to street-wear labels like Coogi and Ed Hardy.

For this reason, even though other fine-menswear brands such as Johnston & Murphy might be realistic targets for the Golden Triangle, their presence would have the impact of further over-saturating the market and imperiling long-time operators.

One concept worth exploring, however, is the male-oriented beauty salon that, unlike traditional barber shops or value-priced brands like Supercuts, focuses on the grooming and pampering needs of the modern "metro-sexual" man, with stylish haircuts, manicures/pedicures, hair-coloring, waxing, scalp massages and facials.

For those concerned that this concept would not appeal to the typical male office-worker in the Golden Triangle, it should also be understood that, unlike unisex salons, such operators strive to provide a masculine setting, complete with free beer and TV's tuned to ESPN, in which men will feel comfortable. Indeed, they even refer to manicures and pedicures as "hand and foot detailing", and to hair-coloring as "camouflaging". Furthermore, most of the stylists are female.

National franchisors working to tap this market include **American Male Salon** and **Roosters Men's Grooming Centers**, while **For Men Only** is a smaller chain-let with locations in State College and Williamsport. And while some might worry that such salons will devastate the "old-school" barber shops still found in office buildings throughout the Golden Triangle, others will argue that the latter have simply refused to adapt to the times.



Getting a manicure (or having one's hands "detailed") while guzzling a beer at an **American Male Salon** in Philadelphia

¹⁰ Ibid.

Locational bias of worker-oriented retail

Worker-oriented businesses are typically drawn to streets and areas convenient to large office-worker concentrations, and/or, in the Golden Triangle's case, along the routes between light-rail stops and major office towers. More up-market ones (e.g. fast-casual eateries, specialty-food operators, upscale nail and hair salons, etc.) will note in particular the locations of "Class A" buildings and corporate headquarters.

Of course, with Downtown so dense with office towers, one is never too far from such demand. Typically, however, a cubicle-dweller on lunch break will stick to the area defined by a nine-minute walk from his/her place of work. Based on this rule-of-thumb and on recent openings, the *most* desirable locations within the Golden Triangle for the above sorts of businesses would seem to include the following:

- Grant, between Sixth Avenue and Fifth Avenue (U.S. Steel Tower, Mellon Center, light-rail station, etc.)
- Liberty, between Seventh Street and Stanwix (Dominion Tower, Ariba / K&L Gates Building, PNC Plaza, light-rail station, etc.)
- Market Square (PPG Place, PNC Plaza, Piatt Place, light-rail station etc.)

Recent Openings

Grant Street (between Sixth Avenue and Fifth Avenue)

- Qdoba Mexican Grill

Liberty Avenue (between Seventh Street and Sixth Street)

- Qdoba Mexican Grill
- Au Bon Pain
- Crazy Mocha

Market Square

- Moe's Southwest Grill
- Crazy Mocha

The Grant Street stretch has gained in appeal with the arrival of the University of Pittsburgh Medical Center (UPMC), which could ultimately occupy over 500,000 sq.ft. at the U.S. Steel Tower at Grant and Sixth Avenue. Spaces are available in the Union Trust Building, both on the corner of Grant and Oliver and on Oliver itself.

Ground-floor opportunities are more plentiful in the Lower Liberty-Fifth Avenue-Market Square area, which is also, arguably, the Golden Triangle's most dynamic office sub-market right now:

- Three PNC Plaza, at Liberty and Fifth Avenue, will add 326,000 sq.ft. of space, roughly half for PNC Bank and half for Reed Smith, a law firm that is moving from 435 Sixth Avenue.

- K & L Gates, another law firm, is relocating from the Henry W. Oliver Building to 200,000 sq.ft. at the Ariba Center (soon to be the K & L Gates Building), at Liberty and Sixth Avenue.
- Cohen & Grigsby, yet another law firm, is relocating from the Westinghouse Building to 85,000 sq.ft. at Dominion Tower, at Liberty between Seventh Street and Sixth Street.
- The H.J. Heinz Co., the food processing concern, has moved its global headquarters and 95,000 sq.ft. to One PPG Place, at Stanwix and Fourth Avenue.
- Equitable Resources, a natural gas company, is rumored to be considering a move of its North Shore headquarters to Dominion Tower.

Additional lunch-time food (and coffee) purveyors can be expected to gravitate to storefronts on or near the upgraded public realm planned for Market Square and the new park to be built in front of Three PNC Plaza: even if they are not located on the spaces themselves, they can offer office workers the alternative of buying something for "take-away" that can be consumed there.



Wither the Food Court?

Several of the larger office towers in the Golden Triangle, such as One Oxford Centre, Fifth Avenue Place and Two PPG Place, include interior malls and food courts, but today's wave of fast-casual and specialty-food brands tend to prefer street- or square-fronting locations, even in somewhat less hospitable climates like Pittsburgh's.

In addition to these sub-districts, some of the brands mentioned above, like Five Guys Burgers and Fries, Pizza Sola, Sushi Boat, LuLu's Noodles, Irving's, For Men Only, etc., might be intrigued by a location -- like, for instance, on Wood Street -- that can draw from both office-worker concentrations as well as Downtown's student population.

Finally, placement on a specific street(s) is not as critical to downtown fine-menswear retailers. Such stores typically enjoy high levels of customer loyalty, and are not so dependent on foot traffic. And to the extent that long-time ones have struggled, it is due to factors unrelated to location:

their loyal customers have retired or died, they have been hurt by value-priced competitors and by the "business-casual" trend, etc.

Having said that, visibility to white-collar concentrations could help. Indeed, Joseph Orlando might benefit incrementally from its centrality to the Liberty-Fifth Avenue-Market Square area.

Stationery/Office Supplies

Office supplies is, for obvious reasons, another category often found in downtown office districts. The superstore chains have long avoided Pittsburgh's, but now that Office Depot has taken a 19,000 sq.ft. space in the former Gimbels building on Smithfield Street, Staples, in a fierce battle for market share with its archrival, is rumored to be looking.¹¹

The arrival of Office Depot (and possibly, Staples), however, might have only limited impact on J.R. Weldin Co., on Wood Street. While the independent could experience some loss in sales of basic office supplies, its merchandise mix is heavily skewed towards specialty items, such as fine stationery and high-quality pens, which are not carried by the medium-box players.

Other Retail Categories

Downtown office workers contribute sales in numerous other categories, like small grocery stores, sit-down restaurants, drinking establishments, etc., but since they are not seen as the main sub-market for such businesses, those sorts of retailers are covered in other sections below.

¹¹ According to Herky Pollock, executive vice president of CB Richard Ellis/Pittsburgh and broker for the building (Heinz 57 Center) that lured Office Depot, as quoted in a February 18, 2008 article by Mark Belko in the *Pittsburgh Post-Gazette*, entitled "Office Depot opens today in city".

Worker-Driven Retail: Tenanting Possibilities

Camille's Sidewalk Café
Five Guys Burgers & Fries
Pizza Sola
Mexico City
Atlanta Bread Co.
Corner Bakery Café
Nature's Table Café
Saladworks
Eat Unique
Bistro To Go
Sushi Boat
LuLu's Noodles
Irving's
Jamba Juice
Dozen Cupcakes
Coco's Cupcake Café
Yogurberry
Tasti-D-Late
Dashing Diva
Massage Envy
American Male Salon
Roosters Men's Grooming Centers
For Men Only

Chapter 2

Resident-Driven Retail

As of January 2008¹², the Golden Triangle currently boasts 1,766 apartments and 352 condominiums, for an aggregate of 2,118 units. Another 194 rental and 195 for-sale residences are either completed or under construction, which would yield a total of 2,507 units.

Looking more closely at the for-rent side, 658 of the 1,766 apartments¹³ are "market-rate", another 369 are considered "affordable", and 656 are for students (containing a total of 2,200 beds). The 194 units in the pipeline change this breakdown to 665 market-rate, 369 affordable and 843 student (with 2,942 beds).

Including the 352 condominiums in the "market-rate" category yields a total of 1,010 such residences, with the additional 195 for-sale units bringing the number to 1,212.

The housing-type breakdown is relevant in that each yields a different sub-market for retail: that is, lower-income seniors residing in the affordable rentals do not have the same needs, sensibilities and price-thresholds as empty nesters in the condominiums or students in the university dormitories.

Assuming 1.5 persons per unit (and 1 student per bed), we estimate the existing and near-term population in the Golden Triangle as the following:

| | # of Units - Existing | Persons Per Unit | # of Persons - Existing | # of Units - Near-Term | Persons Per Unit | # of Persons - Near-Term |
|-------------------------------|-----------------------|------------------|-------------------------|------------------------|------------------|--------------------------|
| Market-Rate (Apts and Condos) | 1,010 | 1.5 | 1,515 | 1,212 | 1.5 | 1,818 |
| Affordable | 369 | 1.5 | 554 | 369 | 1.5 | 554 |
| Student | 2,200(beds) | 1 | 2,200 | 2,942(beds) | 1 | 2,942 |
| Total | | | 4,269 | | | 5,314 |

Golden Triangle's Existing and Near-Term Population.

An additional 1,252 units (171 rentals, 700 condominiums and 335 undetermined) and 550 student beds are in the permitting, planning or conceptual phase. These would add another 2,278 to the Golden Triangle's population, for a total of 7,592.

¹² Pittsburgh Downtown Partnership, 4Q 2007 Downtown Market Survey.

¹³ Another 83 units are contained in private homes or other housing types.

The neighborhoods immediately adjacent to Downtown -- the North Shore, the South Side, the Lower Hill, the Near Strip (to 26th Street) and Uptown/The Bluff -- add another 1,651 housing units and 3,642 student beds to the total, with 297 more in the process of lease-up and 459 in the early stages.

2006 demographic estimates¹⁴ place the Triangle's average household income at roughly \$64,703, but the median at just \$21,178, suggesting a population with a few wealthy households and a great many poor ones. Indeed, 61% fall within the "moderate-to-lower" range (i.e. 80% of metro-area median), and 16% are considered affluent (i.e. \$100,000 or more annually).

The low median has partly to do with the preponderance of students (see below). But also, one can expect these overall numbers to change because the new housing product in the Triangle is almost exclusively market-rate and draws primarily -- as it tends to do in downtowns elsewhere -- from two, relatively well-off demographic segments: empty-nester couples downsizing from suburban homes, and young professionals seeking an urban lifestyle.



New high-end housing project, such as is available at 151 First Side, will help to lift the overall income levels of the Downtown residential population.

¹⁴ Scanus estimates, as taken from Real Estate Planning Group's March 2007 "Downtown Pittsburgh Grocery Store Demand Feasibility Analysis".

Of course, the national housing slowdown and credit crunch gives cause for concern. It has resulted in the tabling of certain projects in the Triangle -- the Cultural Trust's proposed "Riverparc" condominium development, for example -- and could ultimately prove fatal in some cases, like the conversion of The Century Building to mixed-income apartments, where the weak market for tax credits has left the developer short on financing.¹⁵

At the same time, market fundamentals have continued to improve, with the outlook particularly bright for apartments. Furthermore, developers appear increasingly willing and able to build at a less lofty price-point, which many see as the more sustainable direction for Triangle residential. Finally, escalating gasoline prices would seem to bode well for Downtown housing in the longer term.

Also, Downtown's housing market is benefiting from the ambitions of its educational institutions. Based on the above figures, students already account for over half of the Triangle's residential population, with 2,200 of the 4,269 total, and their percentage will increase still further in the near-term, to 2,942 of 5,314.

And longer term, Point Park University, as part of its recently-unveiled "Academic Village" plan, is looking to take its Downtown population from the present 750 to 1,300 (with the 550 units in the conceptual phase, as indicated in the above figures), and eventually, to 1,500.



Point Park University is converting these two buildings -- 312 and 322 Boulevard of the Allies -- to student housing as part of its efforts to double its Downtown residential population from 750 to 1,500.

¹⁵ As reported in a March 21, 2008 *Pittsburgh Business Times* article by Ben Semmes, entitled "Tax credit issue threatens to slow Downtown housing project".

Meanwhile, the Art Institute of Pittsburgh has said that with its new residential properties, students "now want to stay in housing longer", creating additional pressure for more capacity to accommodate commuters. "I may have a need for another dorm," said President George Pry.¹⁶

In terms of their relevance to retail, many students do not have cars and can only access other business districts by walking, taking transit or hitching a ride with friends, leaving them "captive" as consumers. There is a downside to this sub-market, however: its numbers (and hence, the Triangle's) decrease sharply during the summer when school is not in session.

Basic Services and Amenities

Downtown Pittsburgh has only recently started to gain some traction as a residential address, long after comparable downtowns elsewhere across the country began to emerge as live-in neighborhoods. As a result, the development of an infrastructure of basic services and amenities is still very much a work-in-progress.

Due to their longtime reliance on the daytime-worker population, such businesses tend to be located in relation to office concentrations, not fledgling residential populations. In a Downtown as compact as Pittsburgh's, that is not so problematic. More troublesome, however, is that they have not readjusted their closing times to align with needs of this new sub-market.

Take, for example, the Cultural District, the Triangle's most advanced housing sub-market. Not surprisingly, it recently welcomed Downtown's first grocery store in fourteen years (see below). And due to the large nearby daytime-worker population as well as the various theaters/stadiums and burgeoning nightlife, it also contains two large-format drug stores, two 7-Eleven convenience stores, a fitness club, two coffee bars and numerous sit-down restaurants.

But with most of these businesses, the hours are not resident-friendly: they either close in the evenings or stay open only for events. For example, the grocery and drug stores close at 8 p.m. Even on the weekends, Starbucks shuts at 8 p.m., and 7-Eleven locks up at 10:40 p.m. And many of the

¹⁶ As quoted in a March 14, 2008 *Pittsburgh Business Times* article by Ben Semmes, entitled "Point Park, Art Institute develop Downtown Pittsburgh dorms."

restaurants go dark on Sundays. If residents are left frustrated as a result, they will not make the best ambassadors for Downtown living.



The Cultural District has its very own Starbucks. Which closes at 8 p.m.

Closing Hours in The Cultural District

- Rosebud: 8pm Mon-Sun
- CVS (Liberty and Sixth Street): 7pm Mon-Fri, 6pm Sat and Sun
- Rite Aid: 8pm Mon-Sat, 5pm Sun
- 7-Eleven (Penn): 10pm Mon-Sun
- 7-Eleven (Liberty): 10:40 pm Mon-Sun
- Starbucks: 8pm Mon-Sun
- Crazy Mocha: 8pm Sun-Thurs, 11pm Fri

Later closing hours, however, could just be a matter of time. Business owners might not now feel that the incremental sales are worth the cost, or they might be intimidated by the street traffic late at night, but if the housing densities continue to build, the cost-benefit analysis is likely to become more favorable and the fear factor should subside.¹⁷

Of course, this presents a "chicken-or-the-egg" scenario, with later opening hours among the host of factors that prospective residents would consider in making their decision about whether to move to Downtown. With this being the case, the PDP might explore the possibility of incentive programs that encourage such businesses to remain open later.

Such inducements have been successful elsewhere across the country, but the provision of further detail is beyond the scope-of-work for this study.

Downtown as a livable place

In creating a sense of neighborhood in the heart of a central business district, the availability of basic services also takes on symbolic import, as

¹⁷ There are a variety of reasons why fears might diminish: new residents would dilute the ones whom business owners perceive as threatening, put feet and eyes on the street to deter wrongdoing, exert pressure on public officials to focus on safety issues, etc.

indicating the emergence of a livable place, one where residents have access what they *need* not only for the daily grind (e.g. milk, aspirin, etc.), but also, on a socio-psychological level.

Cafes are especially important in this regard. Yes, the coffee itself is needed for that daily grind, but also, cafes can also act as that "Third Place", a phrase coined by the sociologist Ray Oldenburg to refer to those informal meeting places, separate from home (the "first place") and work (the second), that anchor community life. Every culture has its own version: in Britain, it is the pub, in Germany the beer garden, Japan the teahouse.

In the United States, since the explosion of Starbucks Coffee in the second half of the 1990's, it is the coffee bar. But in pioneering neighborhoods, it goes even further with that, with coffeehouses serving as central gathering places that help to forge and cement a sense of community for a group of trailblazers who might otherwise feel that they are alone on the urban frontier.

Local examples include The Quiet Storm, in the Penn Avenue Corridor, and Beleza Community Coffeehouse, in Mexican War Streets. On its website, Beleza explains that it strives "to be a 'third-place' outside of work and home for people to get to know to each other", and indeed, a local regular says that "it is like 'Cheers', without the alcohol. Everybody knows everybody else."¹⁸

Downtown has its share of coffee bars, yet as mentioned above, they are still very much oriented towards other traffic drivers, tending to close early or stay open late only on Friday and Saturday nights. Even the new Starbucks Coffee in the student-heavy Firstside neighborhood closes at 8 p.m. Monday through Thursday, 6:30 p.m. on Friday and 2 p.m. on Saturday, and does not even open on Sunday¹⁹.

Furthermore, given their office-worker focus, these coffee bars act more like assembly-line distributors of product, rather than "Third Place" venues where one might want to linger a bit, read the newspaper, meet new people, spend the afternoon, etc. Crazy Mocha's in the neighborhoods (e.g. on Liberty in Bloomfield, Ellsworth in Shadyside) fit this latter description, but the newer ones in Downtown have a more corporate feel.

¹⁸ As quoted from a June 18, 2007 *Pittsburgh Tribune-Review* piece by Jodi Weigand entitled "North Side coffeehouse fosters community".

¹⁹ And that is *after* they extended their closing hours.



Beleza Community Coffeehouse on Buena Vista Street in Mexican War Streets, is an example of "coffeehouse", playing a larger role in its neighborhood than just as a purveyor of caffeinated beverages.

An appropriate operator for a "Third Place" coffeehouse in this case is one that would need to be sufficiently capitalized to afford the Golden Triangle's relatively high rents, and with a certain level of up-market polish so as to appeal to the affluent empty-nesters moving to Downtown (although something more student-oriented should be pursued separately for Firstside, as discussed below).

One possibility is for PDP to work with Crazy Mocha on opening another café in Downtown that is more in keeping with this model, or to discuss the same with **Coffee Tree Roasters**, a local chain-let with four locations -- including its most recently-opened one, on Shadyside's Walnut Street, which, according to a *Pittsburgh Tribune-Review* piece, "customers can (and do) treat... like a home away from home."²⁰

It might also be worth approaching local single-unit operators that play this role, like **Aldo Coffee Company**, on Mt. Lebanon's Washington Road, which has the sort of recognized brand that would help to further legitimize Downtown as a livable "neighborhood", or Highland Park's **Enrico's Tazza D'Oro Café & Espresso Bar**, a place, according to its MySpace profile, "where a community gathers to connect".

²⁰ As quoted from a February 17, 2006 piece by Andrew Johnson entitled "Business hoping at newest Coffee Tree Roasters".



Enrico's Tazza d'Oro Café & Espresso Bar: a place to connect

Yet another intriguing possibility is a five-unit local chain-let from Cleveland, **Phoenix Coffee**, which has yet to venture beyond its home region but which has been expanding aggressively as of late, including two new downtown locations. An operator that takes its community-building role seriously, Phoenix was the winner in *Cleveland Scene's*²¹ 2007 category for "Best Coffee Shop As Living Room".



A community-builder from Cleveland.

The bookstore is another important part of perceived livability, particularly for the sorts of well-educated households that tend to populate downtowns. Indeed, large-format chains like Barnes & Noble and Borders can play a dual role, also acting as a "Third Place" of sorts, with their in-store cafes, comfy reading chairs, etc.

²¹ *Cleveland Scene* is Cleveland's main alternative weekly.



Bookstore as "Third Place"

That was one of the reasons why Barnes & Noble's decision to shut its Smithfield Street store in 2006 was such a blow. Perhaps unlike other links in the large chain, this branch seemed to have developed a sense of community not unlike what one finds at an independent bookseller, with a *Pittsburgh Post-Gazette* opinion piece even referencing the TV show "Cheers" in describing the connection between staffers and frequent customers.²²

The store's closure raised doubts about the Golden Triangle's ability to market itself as a place to live. "Downtown can easily do without another upscale department store," said a *Pittsburgh Tribune-Review* piece, "but the loss of a major book retailer sends an uncertain message to people considering a move to the city's newest residential neighborhood."²³

Golden Triangle residents might not recover their Barnes & Noble anytime soon, at least until the residential population dramatically increases. The chain recently opened a hybrid concept at Duquesne's new "Power Center" development, including not just school textbooks but also general-reading titles (and, of course, an in-store café), and the manager refers to the new

²² See the December 29, 2006 *Pittsburgh Post-Gazette* opinion piece, entitled "Closing the book on a Barnes & Noble".

²³ From a November 14, 2006 *Pittsburgh Tribune-Review* article by Mike Seate, entitled "Judging Downtown by its cover". Also, an October 30, 2006 *Pittsburgh Post-Gazette* editorial said that "we ... hope development leaders gauge the void this will leave in a downtown that's trying to repackage itself as a good place to live."

location as "Downtown's neighborhood bookstore"²⁴, suggesting that Point Park University's efforts to get something similar at its Barnes & Noble student bookstore on Wood could prove futile.

Borders, meanwhile, might not be a wise target at this time: although it is opening new "concept stores" across the country, the struggling chain is considering the possibility of putting itself up for sale, with Barnes & Noble, its arch-rival, one of the interested parties. And Joseph-Beth Booksellers not only has a 39,000 sq.ft. store nearby at SouthSide Works, but also, with its positioning as more of a "local" bookstore, it is not interested in a second Pittsburgh-area location.²⁵

One other possibility is Books-A-Million, the nation's third-largest bookstore chain, with over 200 locations, concentrated largely in the Southeast and Midwest. Its primary growth vehicle is a roughly 20,000 sq.ft., medium-box format similar to Barnes & Noble and Borders, with selections of books, magazines and cards as well as an in-store café branded as "Joe Muggs Coffee".

The chain announced this past winter that it would be expanding to Pennsylvania. Indeed, it was supposed to make its Pittsburgh-area debut later this year, at "The Foundry" in Washington Township, although the future of that center is uncertain. And while most of Books-A-Million's locations are in suburban strips and malls, it will be opening a new, two-level, 24,000 sq.ft. "urban concept store" in downtown Houston later this year (although that location is part of the larger "Houston Pavilions" project, anchored by House of Blues and Lucky Strike Lanes).

²⁴ As quoted in a January 8, 2008 *Pittsburgh Post-Gazette* article by Mark Belko, entitled "Duquesne U. opens \$35 million rec center".

²⁵ "... We're certainly not planning to expand in Pittsburgh," said Jeffrey Inscho, the chain's marketing manager, as quoted in a December 14, 2006 *Pittsburgh City Paper* write-up by Chris Potter on Joseph-Beth as "Best Bookstore" in Pittsburgh. "We want to specialize in being a local bookstore. That's really where our focus is."



The interior of a Books-A-Million store

The larger problem with Books-A-Million, however, is that, with its name and interior, it feels slightly down-market in comparison to the other bookstore brands discussed above, and might not be sufficiently upscale to play a "Third-Place" role for the sorts of affluent residents who are considering a move to Downtown.

And the larger issue with attracting this sort of superstore to the Golden Triangle is that, after removing the parts of the trade area within reach of the Barnes & Noble at Duquesne, the Joseph-Beth at SouthSide Works and the Borders in East Liberty, the income and educational levels among the remainder are unlikely to appeal to such operators, leaving them largely dependent on the office-worker and pre-theater markets.

That alone might not be sufficient. Put simply, stores of such scale need to sell a great many books -- they cannot survive on "Third-Place" status alone -- and that requires a large pool of potential customers. And their minimum population thresholds continue to rise in proportion to the market share that they lose to the on-line channel. And, of course, it is difficult to distract such operators from Barnes & Noble's closure just two years ago.



In efforts to attract another large-format bookstore to the Golden Triangle, Barnes & Noble's closure just two years ago does not help.

As the most basic of services, the grocery store is perhaps the most important retail milestone for a fledgling downtown neighborhood. And given the sort of relatively well-off, well-educated households that repopulate such areas, it is imperative that such a store includes high-quality perishables, prepared foods (for busy professionals) and an acceptable aesthetic.

While Downtown Pittsburgh does not have a full-service grocery store, it recently celebrated the opening of Robin Fernandez's "Rosebud Fine Food Market & Deli", in the new Encore on 7th apartment building on Seventh Street in The Cultural District. It is the Golden Triangle's first food market since The Market on the Square closed in 1994.

The store features an edited assortment of food and household basics (with canned and pre-packaged brands ranging from upscale to mid-market) as well as a limited selection of prepared foods and perishables (including organic produce, Wholey & Co. fish, etc.), in a small 3,100 sq.ft. space with an attractive layout and look.



Rosebud Fine Food Market & Deli is Downtown Pittsburgh's first food market since the closing of The Market on the Square in 1994.

The question is, how will it do? The 2007 grocery-store feasibility study undertaken by Real Estate Planning Group²⁶ concluded that the Downtown residential population is insufficient at this time to support such a store, and that in order to be successful, the operator must create a "hybrid" concept that targets other sub-markets and achieves multiple revenue streams.

Rosebud has adopted this formula, with corporate-catering services, a central deli counter to capture lunch-time traffic, etc. In addition, Fernandez is also a local dining and nightlife impresario who can reduce shrink by

²⁶ Larry Lund, Principal, Real Estate Planning Group, "Downtown Pittsburgh Grocery Store Demand Feasibility Analysis", March 2007, undertaken on behalf of the Pittsburgh Downtown Partnership.

putting un-sold perishables to use in his other kitchens, like the one in Bossa Nova across the street.

Even so, the store's prospects remain uncertain. Much will depend on continued residential growth in the Golden Triangle, and especially, the Cultural District, and further additions to the housing stock recently suffered a setback with the Pittsburgh Cultural Trust's announcement that it would be temporarily suspending the development of 700 condominiums as part of its "RiverParc" project.

Furthermore, while the location on the edge of the Cultural District makes sense inasmuch as it is the Golden Triangle's most advanced housing sub-market, Rosebud is not particularly well-placed to serve the growing residential populations further east and south. Furthermore, it has lost its three parking spaces across Seventh Street, limiting its convenience and "in-and-out" appeal to motorists.

Rosebud might also be facing intensified competition going forward. Of course, some Downtown residents already look to the specialty food purveyors of the Strip District to meet many of their grocery needs, but this is not an especially convenient nor widely-preferred option, given that one first has to find parking and then visit multiple stores. However, the mixed-use "Cork Factory" project will soon feature a 22,000 sq.ft. natural/organic food market called Right By Nature.

Furthermore, in February of this year, Giant Eagle assumed control of a poorly-run franchised unit on the North Shore's Cedar Avenue. The store, known as the "Dirty Bird" by locals²⁷, is the closest supermarket to the Golden Triangle and sits just 0.53 miles and a one-minute drive from Rosebud, and if the corporate entity is able to improve the location's appearance and operational standards, it could capture incremental sales from Downtown residents.

²⁷ According to a February 9, 2008 *Pittsburgh Tribune-Review* piece by Chris Togneri entitled "Grocer says North Shore 'Dirty Bird' will straighten up, fly right".



The "Dirty Bird",
on Cedar Avenue

In terms of possible competitors within Downtown itself, Millcraft Industries has also been planning a small but upscale grocer -- "Tresantis European Market" -- for its Market Square Place project, which would be a more appropriate location for a market that serves all of the Golden Triangle, but the store is currently on hold as the developer waits to see if demand will be sufficiently met by Rosebud.

On the other hand, Brian Weiss, the owner of Smithfield News at the corner of Smithfield and Boulevard of the Allies, is not waiting: he is expanding into an adjacent space and doubling the size of his current convenience store so that he can add a grocery component, with basic perishables and household supplies.



Downtown business owner Brian Weiss (left) has ambitious plans for a new grocery component in his expanded Smithfield News.

One could argue, however, that Weiss' concept for Smithfield News would not be directly competitive. Not only would it be serving a separate trade area, it would also be more appropriate for the new student housing nearby, as his mix will likely be more mid-market in orientation, with a closer kinship

to 7-Eleven than an upscale grocer. For example, the take-home meals will be pre-packaged, not freshly-prepared.

And Weiss' plans are important in another way: unlike Rosebud (and most everything else in the Golden Triangle), his store will be open 24 hours a day. That includes the small area reserved for Kiva Han coffee, a must for students pulling all-nighters who otherwise have no other close-by options once the Starbucks on Wood closes.

Finally, Smithfield News, long known as the place in the Golden Triangle for out-of-town newspapers, will be expanding its selection of magazines, already impressive before, to three times its previous size, thereby filling at least some of the void left by Barnes & Noble's closure.



Lamenting the loss of Barnes & Noble and the "decent reading material" one could find there, *Pittsburgh Tribune-Review* columnist **Mike Seate** wrote, in a January 31, 2008 piece entitled "Magazine racks bear of good reading", that "seeing Smithfield News expand... is good news indeed -- especially for those of us whose reading tastes don't involve this month's copy of *Bootylicious*."

The distance and the difference between Smithfield News and Rosebud would seem to suggest, then, that they could co-exist -- or at the very least, that if one or both fail, it would not be attributable to cannibalization. Weiss, however, is also planning a second food store, "Weiss Mart", in an old Nextel space on Fifth Avenue, that would be much closer and more directly competitive, and should therefore be discouraged by the PDP.

Resident-Driven Retail: Tenanting Possibilities

Coffee Tree Roasters
Aldo Coffee Company
Enrico's Tazza D'Oro Café & Espresso Bar
Phoenix Coffee

Chapter 3

Event-Driven Retail & The Dining/Nightlife Scene

Another key traffic driver in the Golden Triangle is event venues.

In the 1990's, these sorts of draws were often seen by downtown boosters and elected officials as saviors for central business districts, and large amounts of public funding were used to build, replace or renovate convention centers and sports stadiums. In the 2000's, gaming facilities have been added to the conversation.

Pittsburgh has followed these national trends. In 2001, two new single-purpose sports facilities -- PNC Park and Heinz Field -- opened on the North Shore, to replace the old Three Rivers Stadium. And 2003 saw the opening of a new and expanded convention center, the David L. Lawrence Convention Center, at the northern end of the Cultural District.

The focus on new, large-scale event venues continues to this day. A new arena will be opening just south of the existing Mellon Arena in time for the 2010-11 NHL season. And, cost and financing issues notwithstanding, Don Barden is still planning on opening his Majestic Star Casino slots parlor on the North Shore in 2009.

Pittsburgh has also been at the forefront of another trend, the use of performing-arts venues and "high-culture" attractions as anchors for downtown revitalization, largely as a result of the trail-blazing work of local foundations and the Pittsburgh Cultural Trust.

The "Cultural District", which effectively began with the re-opening of a former movie palace as Heinz Hall in 1971, centers on its theaters, which combine to host roughly 1,500 performances annually. These include Heinz Hall, the Benedum Center for the Performing Arts, the O'Reilly Theater, the Byham Theater, the Harris Theater and Cabaret at Theater Square.

In addition, the Andy Warhol Museum and the new Hazlett Thater sit just across the Allegheny River on the North Shore, and the District itself contains a concentration of smaller visual-arts spaces (e.g. Wood Street Galleries, SPACE Gallery, 707-709 Penn Gallery, etc.). Also, the August Wilson Center for African-American Culture promises to diversify the "high-culture" draw when it opens later this year.

Three other, more family-oriented museums sit on the periphery of the Downtown: the Senator John Heinz History Center (a Smithsonian affiliate that includes the Western Pennsylvania Sports Museum), in the Strip District; and the Children's Museum of Pittsburgh and the popular Carnegie Science Center, both on the North Shore.

Finally, the Pittsburgh Steelers and its development partner, Columbus, OH-based Continental Real Estate Companies, continue with efforts to build a 2,000-seat entertainment pavilion on the "Lot 6" parcel just east of Heinz Field, although much uncertainty still surrounds the project, including whether the Steelers/Continental still retain exclusive rights to the land.



As consumers, **tourists** can behave differently from the typical event-goer, as they have more leisure time on their hands. However, the Golden Triangle's relatively high-priced lodgings are almost exclusively geared towards the business traveler. And to the extent that Pittsburgh is a tourist destination, the Golden Triangle is not one of its chief attractions, with Station Square, Mt. Washington, the North Shore and the Strip District ranking higher on the typical itinerary. The impact of such visitors on Downtown retail, then, is limited.

The retail impact of event venues

The problem with certain event venues as retail anchors is that they often do not *want* visitors to leave. For example, a convention might use the host city as a lure to attract attendees, but it is hoped that, once there, they will focus on the conference itself, the sessions, the luncheons, the receptions, etc.

Gaming facilities are especially well-known for creating entirely self-contained environments. Indeed, Don Barden's Majestic Star Casino, under construction on the North Shore, will include five different restaurant concepts as well as four bars and lounges, so that patrons will not feel the need to leave the facility for food or drink.

Furthermore, attendees to theater performances or sports games might arrive early to catch dinner or stay later for a drink, but they typically do not include shopping in their itineraries. Similarly, parents taking their kids to a

ballgame or a museum are unlikely to lengthen their visit beyond a side trip to a fast food or family restaurant.

Other sorts of businesses might benefit from visibility to event-goers, who might return on another day to peruse and/or to buy, particularly if they have to be in Downtown regularly, say, for work. But for the reasons just discussed, the direct spin-off from such anchors is typically limited to food, drink and entertainment.

The impact is further muted by the competition on the **North Shore**. There, first on Federal Street and now on North Shore Drive, a collection of sports bars and sit-down restaurants has emerged to take advantage of the superior visibility and convenience to game attendees. And the approved designs for the new Pittsburgh Penguins arena show storefronts along the Fifth Avenue frontage that will be tenanted with the same in Uptown (in addition to the sports bars already on the southern side of Fifth).



Having said that, the offerings on the North Shore are less likely to appeal to patrons of the Andy Warhol Museum. Indeed, the New Moon Fusion Restaurant, an eclectic Pan-Asian affair on General Robinson Street across from the museum, was one of the only exceptions, and it closed in early 2008.

Meanwhile, **Station Square**, with its proximity to the Mon Incline, its Gateway Clipper Fleet dock and its festival-marketplace atmosphere, still exerts a pull on conventioners, and has been able to attract and retain national brands that cater to that trade, including Hard Rock Café, Funny Bone Comedy Club and Joe's Crab Shack.

In terms of accommodating more such tenants, Station Square's owner, Cleveland, OH-based Forest City Enterprises, also has additional land that could be redeveloped to the west of the existing center, where the Harrah's slots parlor would have been located, and to the east, where a one-story strip of popular nightclubs sits (see below).

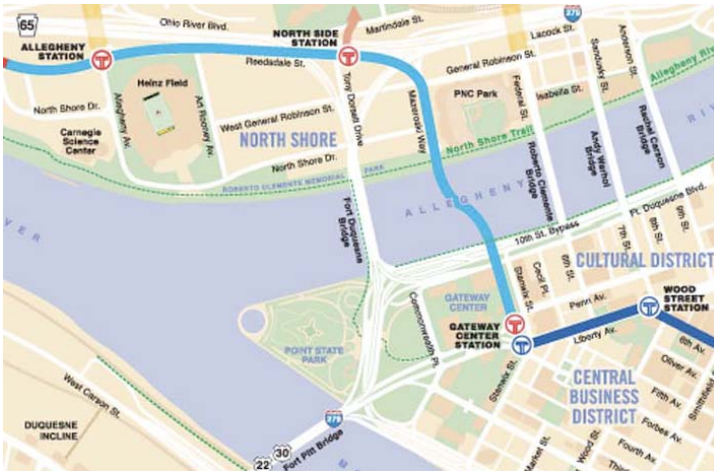
However, although Station Square has its tourist draws, and although other competitors like South Side Works and the North Shore also could accommodate visitor-oriented concepts (e.g. Hofbrauhaus at the former), the Golden Triangle, and the Cultural District in particular, remains the closer and more convenient choice for conventioners.



Finally, certain attractions like Heinz Field, the Hazlett Theater, the Carnegie Science Center and the Majestic Star Casino are (or will be) located beyond walking distance, meaning that those also wanting to spend time in Downtown proper would have to park and pay twice. Others, like PNC Park and the Andy Warhol Museum, are just across the bridge, with much easier access to the Golden Triangle.

It is not, however, only a matter of distance. The route to/from the Heinz History Center is relatively short, yet it is inadequately marked, pedestrian-unfriendly and downright unpleasant. Meanwhile, the walk to/from the Children's Museum of Pittsburgh, while much longer, is more appealing, especially for a kid, as it passes PNC Park and includes the Roberto Clemente Bridge.

In theory, the completion of the North Shore Connector would provide a park-once option to those visiting the farther-flung draws (e.g. Heinz Field, Carnegie Science Center, Majestic Star Casino) and also wanting to head Downtown (see below).



The **North Shore Connector** project would enable motorists to park just once for both North Shore attractions and the Golden Triangle. Indeed, depending on the relative cost of the garages and lots on the two sides of the river, many more might make Downtown their starting/ending point (rather than just a possible excursion), in addition to the ones who already do for Pirates games.

Summarizing, then, the greatest impact of all of these event venues is likely to be in the dining and nightlife categories, with the Cultural District, related arts attractions (e.g. Andy Warhol Museum) and the convention center as the primary drivers.

Within that sphere, there can be a diverse mix of possible offerings, to cover the wide range of tastes and sensibilities and the different needs and objectives that such traffic will encompass.

For example, one would expect to see gourmet/refined dining establishments catering to theater-goers before the show (e.g. Nine on Nine), wine/dessert bars for them afterwards (e.g. Sante), varying kinds of group-friendly restaurant/bars for conventioners (e.g. August Henry's City Saloon for the beer drinkers, Sonoma Grille for the wine connoisseurs), etc.



August Henry's City Saloon appeals to the beer-drinking conventioner, as opposed to Sonoma Grill across the street, which draws the wine connoisseur.

The importance of other traffic drivers

Event-driven traffic is indeed critical for many restaurants and bars in Downtown Pittsburgh. For example, conventions are estimated to account

for 50% of the business at August Henry's.²⁸ And The Carlton still sees the need to offer free limousine service from its Grant Street address to the theaters in the Cultural District.

Demand is also supplemented, however, by the large office-worker population in the Golden Triangle. They might stop in for lunch, or stay after quitting time on the weekdays for "Happy Hour" and perhaps even dinner. Certain operators, like Café Euro and Olive or Twist, have proven especially adept at tapping this sub-market.

Further growth in Downtown's residential population will help as well, not only by generating "in-fill" revenue between the peak-traffic periods but also, and perhaps even more importantly, in building the momentum and thereby improving perceptions of the Golden Triangle among prospective operators.

Yet these drivers will only take Downtown's dining/nightlife scene so far, and if it is to reach the next level, it must emerge as a larger destination, one that can not just capture the conventioners, workers and residents already in the Golden Triangle, but also, draw on its own, from across the region.

The most effective means of achieving such destination status is to present a series of offerings that collectively fill a specific *niche* within the larger competitive marketplace, one defined and differentiated, in the minds of both consumers and tenants, by a target demographic/psycho-graphic that remains under-served by or has become frustrated with the existing choices.

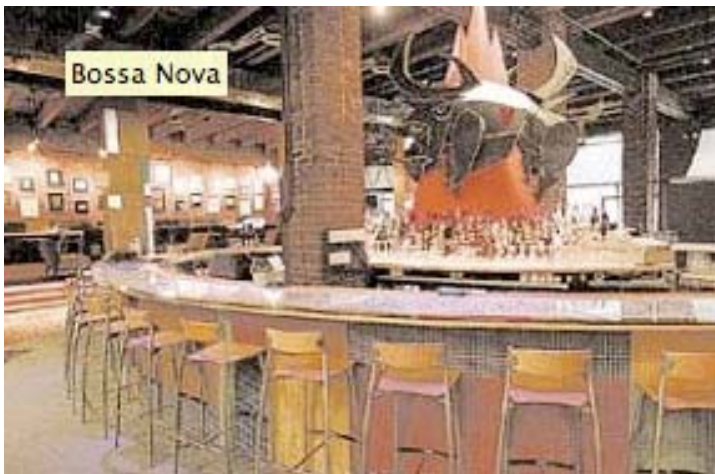
One such niche is already well-established in Downtown: the stretch of Liberty, from 8th to 11th Street contains one of the metro's largest concentrations of gay nightspots (as immortalized, perhaps not always so accurately, on the early 2000's *Showtime* series, "Queer as Folk"). Indeed, Pegasus Lounge, in the basement of 818 Liberty, is often considered Pittsburgh's premier gay nightclub.



Pegasus Lounge, in a subterranean space on Liberty Street, is the region's premier nightclub for young homosexual singles.

²⁸ According to a February 16, 2007 *Pittsburgh Business Times* article by Tim Schooley and Patty Tascarella, entitled "Closure a mixed bag for Downtown businesses".

Another niche appears to be emerging in the Cultural District, with a small but growing number of stylish bars catering to a somewhat older and more mature contingent of well-heeled (heterosexual) professionals. Most of these offerings are hugely popular among daytime office workers, but they also sizzle well into the weekend night, with a crowd that does not appear to be in town for a convention or a performance.



The popularity of Seviche and Bossa Nova might point to a niche with potential.

Such establishments offer alternatives for those looking for a nightlife option other than a traditional "shot-and-beer" bar or a loud and sweaty dance club, for concepts that are more worldly and cosmopolitan, for spaces that are vibrant enough to be "happening" but also mellow enough to allow for adult conversation, and finally, for crowds that do not leave a 30-something feeling old.

Not the "ultra lounge"

These sorts of establishments should *not* be confused with the "ultra lounges" that have been opening in recent years in the city's other nightlife hubs (see below). Such clubs are focused largely on a younger, 20-something patron, and with their bottle service and "VIP" areas, they appeal more blatantly to those who crave feelings of exclusivity and superiority. Indeed, the concept feels more like snotty sophistication than genuine refinement, and imports the worst of big-city obnoxiousness.

The Golden Triangle is an appropriate place for these sorts of offerings, for a number of reasons.

One, while such establishments can draw destination traffic from beyond their immediate neighborhoods and are particularly noteworthy for this reason, in Downtown they can also rely, unlike elsewhere, on the anchoring presence of the Cultural District as well as the large daytime-worker population.

Also, the Golden Triangle might not have fully done so yet, but with their cool lofts, high energy, tall buildings and socio-cultural connotations, downtowns can more easily assume the brand as the "*hip, urban place to be*" that these sorts of nightlife impresarios often like to be a part of and associated with, and their target market will gravitate towards.

In contrast, Shadyside's **Ellsworth Avenue**, although it boasts such nightlife draws as Soba Lounge and La Casa Tapas and Wine Bar, is a rather sleepy and languid neighborhood-scaled corridor that would probably struggle to re-image itself in such terms and that could only grow so much even if it did.



Petula Clark, and the socio-cultural connotations of Downtown

Furthermore, Downtown, with its evening fare driven to such an extent by the theaters of the Cultural District, is more easily able to position itself as a mature nightlife destination than the Strip District, which, despite the presence of offerings like Eleven and Firehouse, is known better for its cavernous dance clubs (and shooting incidents).

Downtown would also seem to retain this advantage vis-à-vis **East Carson Street**. Even with offerings like Club Café, Nakama Japanese Steakhouse and Sushi Bar, Ibiza Tapas & Wine Bar, Dish Osteria Bar and Mantini's Woodfired, mature types are still overwhelmingly outnumbered on the rowdy

strip, and would undoubtedly feel more comfortable in Downtown's Cultural District.



East Carson Street: a counter-intuitive location for mature nightlife?

Meanwhile, up-and-coming **East Liberty** already boasts draws like Red Room Café & Lounge, Shadow Lounge and Kelly's Bar and Lounge, and with its proximity to Shadyside's cadre of young professionals and its potential for a urban/downtown vibe, it could emerge in the not-too-distant future as a formidable competitor.

However, for many in Downtown's target market, East Liberty is probably still considered to be too raw and edgy, thus providing the Golden Triangle with the "first-to-market" advantage. Indeed, that brand is one that East Liberty may not want to shake, which could work to Downtown's advantage (see inset box).



Justin Strong, owner of Shadow Lounge and a pioneer in East Liberty, predicts that "**East Liberty** can have a little bit of everything, can be talked about like (Washington, D.C.'s) Adams-Morgan. You can break down a lot of stereotypes if people are next to each other, bumping elbows. We can be the place, in the new parking garage, with a Jaguar next to an Escort." But some Jaguar owners may never want to park next to an Escort, and might prefer Downtown as a nightlife destination for this reason.

This "first-to-market" advantage should not be underestimated (see inset box, below). Indeed, it can provide Downtown with an important "head-start" on competitors that could prove quite formidable, and with nightlife,

that window of opportunity, to develop critical mass and establish a brand, can be critical.

For example, **SouthSide Works** has an altogether different and more upscale brand than East Carson Street, but its collection of mature nightlife draws, which include Tusca's Mediterranean Tapas and soon, The Wine Loft, is still rather limited, and while further development could bring new offerings, current efforts there are focused on other opportunities.

Or take **Baum-Liberty**, the mixed-use project planned for the intersection of those two high-traffic corridors, on the northern edge of Shadyside (see chapter on "Destination Retail"). The mix there is envisioned as including nightlife, but the project is still in the design process and is expected to take four years to complete.

Nightlife and the Importance of the "Head Start"

With shopping, future competition is critical to understand, because if a center is developed in a sub-optimal location, it can be easily outflanked in the future by a better-situated one. Nightlife is a bit different: once a district achieves "critical mass" and becomes a true destination, it can be very hard to overtake, in spite of its seeming disadvantages. Take, as an example, the East Carson Street corridor, which continues to flourish despite a grossly-inadequate parking supply. Indeed, such draws ultimately decline because they lose their novelty and their fickle clientele moves on, rather than anything having to do with traditional site-location criteria.

Of course, one should be careful not to over-estimate the potential of this niche in Downtown. The market for 30-and-over offerings is, for obvious reasons, not anywhere near as deep as the one for students and 20-somethings, and even in the best-case scenario, the Golden Triangle as an adult playground will never boast the wealth of options that East Carson Street presents to the younger set.

Having said that, Downtown should have more than it does. It has yet to achieve a "critical mass" of such offerings -- indeed, there is simply too much dead space that one has to traverse in walking on a weekend night from, say, Bossa Nova to Sevice. And it does not yet seem to be widely-known (or "branded") as a mature nightlife draw.

Efforts to grow the collection should start with the nightlife impresarios who have been responsible for bringing Downtown to this point, people like **Yves Carreau** (Sonoma Grill, Sevice) and **Robin Fernandez** (Bossa Nova). **Spencer Warren** (Firehouse Lounge) should also be approached. And **Tom Baron** and his **Big Burrito Restaurant Group** (Soba Lounge, Eleven, etc.) has yet to establish a presence in Downtown proper.

These operators clearly possess an intuitive understanding of what Pittsburghers will respond to, and they should be encouraged to and assisted in developing new concepts for the Downtown market. Keep in mind, though, that nightspots for the older, more mature crowd are rarely freestanding; typically, they are combined with sit-down dining, as a sort of bar/restaurant hybrid (see below).



Big Burrito: where are you?

As for national brands, the upscale, hip bowling-alley operator, Lucky Strike Lanes, closed at Pittsburgh Mills two years ago, but might be willing to give Pittsburgh another try, as it attributed its failure there to a poor location, and has resolved to focus exclusively on downtown locations going forward.

Other possibilities include **Bice Lounge** (upscale wine-bar, as part of Bice Bistro, of the larger Bice Ristorante Group), **Ra Sushi Bar** (Nakama-like concept owned by the Benihana chain, with a separate lounge) and **Maker's Mark Bourbon House & Lounge** (stylish, Bourbon-themed hybrid operated by East Coast Saloons, the ones behind McFadden's and Calico Jack's).

In a case like the Golden Triangle, however, these operators might prefer to locate in larger entertainment-oriented complexes of the sort that are developed by Cordish Companies (e.g. Louisville's "Fourth Street Live", Kansas City's "Power & Light District") or Entertainment Development Group (e.g. "Denver Pavilions", "Houston Pavilions").

Both Station Square and the North Shore, with their tourist draws, existing co-tenancies and available land, would seem to be more likely locations for such a project. Cordish Companies, however, ultimately pulled the plug on "North Shore Live" owing to logistical roadblocks, while the "RiverParc" site can offer greater proximity to the convention center.



The Dining Opportunity

Dining is somewhat different from nightlife in that patrons eat just once and do not "hop" from one restaurant to another, so they do not necessarily look for a larger district with a critical mass of possibilities, and the restaurateurs themselves do not have as much of a need to be near other such establishments.

Indeed, a restaurant with the ability to draw on its own -- due, for instance, to the quality of its food, the distinctiveness of its concept, the cachet of its celebrity-chef, etc. -- can survive and thrive virtually anywhere, even in a freestanding location, removed from other sit-down eateries or major traffic drivers.

Having said that, many operators see the wisdom of locating within a dining destination because they can benefit from its drawing power. For example, those looking for a restaurant will often head to this sort of district without a specific one in mind but rather, because there is such a large selection from which to choose.

Restaurateurs are also interested in co-locating with other retail tenancies and traffic drivers that provide a ready pool of potential diners, including synergistic entertainment offerings (e.g. "dinner-and-a-play", or dinner-and-then-play), as well as convention centers and large office-worker concentrations.

Finally, restaurants are most likely to be successful when they can rely on both weekday-daytime and evening/weekend traffic. And while event venues undoubtedly contribute to the latter, nearby residential is also important in helping to fill the gaps *during* the events themselves, or when no events have been scheduled.



A growing nightlife destination is a draw to the restaurateur.

Downtown might not yet qualify as a full-fledged dining destination, but with the momentum generated by a growing number of nightlife offerings and further increases in the residential population, in addition to the conventioners and workers, it should be able to attract additional operators and approach critical mass.

Indeed, Downtown enjoys a number of advantages in the competition for higher-end concepts in particular, given the presence of the Cultural District and related arts attractions (e.g. galleries, Andy Warhol Museum), its emerging brand as a destination for upscale dining, and the up-market, 30-and-over nightspots (see above).

Downtown's most formidable competition in this respect is the **South Side Flats**, with a cluster of offerings that include Mallorca, Café Allegro, Café du Jour, Le Pommier and Nakama Japanese Steakhouse and Sushi Bar, but again, offerings like these would seem to make far more sense in, say, the Cultural District, than on the booze-fueled East Carson Street.

Also, with the growing number of high-style nightspots, Downtown would also seem to be an appropriate setting for cutting-edge dining establishments, ones that, like Six Penn Kitchen, embrace a modern, contemporary aesthetic, or that, like Sevice, offer a cuisine or concept that is relatively new to the market.



Café du Jour: a gourmet "foodie" restaurant that would seem make more sense in Downtown

Given this sort of positioning, targets might include restaurateurs like **Becky** and **Bob Gomes** (Nakama Japanese Steakhouse and Sushi Bar), **B DeFrancis** (Bistro 19), **Gregg Caliguiri** (Walnut Grove chain-let), **Tom Baron** and his **Big Burrito Restaurant Group**, as well as celebrity chefs from nearby markets, such as Cleveland's **Michael Symon** (Lola, Lolita). A relationship should also be developed with **Terri Sokoloff**, area restaurant guru with Ross, PA-based The Specialty Group.

Efforts might also be made to attract strong regional dining/nightlife operators, like **Kooma Japanese Restaurant**, a chic, minimalist sushi/martini concept with locations in West Chester, PA as well as the downtowns of Wilmington, DE and Columbus, OH, or **Latin Concepts**, a Washington, DC-based creator of "Nuevo Latino" restaurants/bars that is known for playing the role of pioneer in struggling urban neighborhoods and will be doing the same at East Liberty's "Montrose Exchange" project.



If Becky and Bob Gomes were not interested in opening another Japanese concept in Downtown, another possibility is **Kooma Japanese Restaurant**, a regional chain-let that serves sushi and martinis in an uber-trendy setting.

As for national up-market dining brands, many of the ones typically willing to open freestanding locations in second-tier downtowns are already in the Golden Triangle or nearby, like Morton's The Steakhouse, Ruth's Chris Steak House, Capital Grille, Palomino Euro Bistro, The Melting Pot (at Station Square), etc., as well as McCormick & Schmick's.

Other than more steakhouse brands, additional possibilities include **The Oceanaire Seafood Room**, **Bice Ristorante** (of the Milan-based international Italian-dining empire, which just opened a location in downtown Cleveland), Gordon Biersch Brewery & Restaurant, **Ted's Montana Grill** (co-owned by Ted Turner and specializing in bison meat from his ranch), **Fogo de Chao** (a Brazilian "churrascaria") and **Ra Sushi Bar**. However, some of these concepts might require the sort of larger entertainment-oriented complex described above.



The menu at Ted Turner's **Ted's Montana Grill** chain features bison tenderloin filet, bison strip, bison Delmonico, bison prime rib, bison chili, bison pot roast and 23 varieties of bison hamburgers, all made with bison meat from Ted's 32,000-head bison herd.

Yet while such complexes can accelerate tenanting efforts and bring certain up-market brands, they can, more generally, project a mid-market feel that would contrast with the upscale positioning proposed here for the Cultural District. Cordish Companies' projects, for instance, include offerings like Tengo Sed Cantina, a Spring Break-styled bar with stripper poles, and Angel's Rock Bar, a loud, raucous rock-music club.

Keep It In The Strip!

"The bartenders were great, but they have to be able to read your lips to get your order. There is NO chance of talking in this place... My girlfriend and I would just point at things and nod in agreement. Stripper poles and an elevated runway is like a magnet for skanks. Let the train wreck entertainment begin."

- Local Kansas City blogger, after a night at Tengo Sed Cantina, in Cordish Companies' "Power & Light District"

Furthermore, these complexes tend to include concepts that replicate (and potentially cannibalize) what is already offered elsewhere in the region by independents (and, in some cases, cherished local icons).

For example, the arrival of Lucky Strike Lanes could pose a threat to Lawrenceville's Arsenal Lanes, which has been an important part of that neighborhood's hipster-led revival, while a Gordon Biersch Brewery & Restaurant would present additional competition for unique brewpubs like Church Brew Works and Penn Brewing.



The House of Blues in downtown Cleveland has been roundly criticized in some quarters because its presence did not add anything new to the market, but rather, cannibalized other, Cleveland-based live-music venues.

With some concepts, of course, the market would seem to be able to support additional operators. For instance, Ra Sushi Bar is very similar to Nakama Japanese Steakhouse & Sushi Bar, but the latter's popularity suggests that there might be room for another such offering.

And to be fair, these entertainment-oriented complexes do not always focus exclusively on national brands. Indeed, Cordish Companies, through its Entertainment Concepts Investors affiliate, partners with and invests in promising entrepreneurs to create or expand dining/nightlife concepts. And Entertainment Development Group's "Houston Pavilions" project includes several second locations of successful Houston operators.

"We encourage strong local operators... that want to grow but may need a little help in doing so to come to us and tell us about their concept."

- Reed Cordish, Vice President of Cordish Companies, as quoted in a March 9, 2007 *Kansas City Business Journal* piece by Suzanna Stagemayer entitled "Cordish wears chef's hut, too"

Generally speaking, Pittsburgh-area dining and nightlife impresarios should be preferred, because, in contrast to say, large-format fashion retail, these are categories where local entrepreneurs are more easily able to compete with national brands, executing similar concepts with equal if not even greater skill, and where, as a result, a larger pool of such operators exists.

Moreover, in an era of increasing homogeneity, such local operators can serve to differentiate Pittsburgh in the minds of conventioners and other visitors, as well as underscore one of the region's more appealing virtues, its pride in the locally-grown (as evidenced by the satisfaction taken in the role that Millcraft Industries has played in Downtown's recent re-emergence).

Take the case of Indianapolis. Considered a successful downtown, it is dominated by national brands, which are undoubtedly popular among the large number of conventioners and tourists, but which also do nothing to distinguish the city from any other, serving mainly to reinforce the unfortunate nickname of "India-NO-place".



Downtown Indianapolis
(shown here with its P.F.
Chang's China Bistro: An
"Anywhere U.S.A." success

Pittsburgh is not a "NO-place" (neither is Indianapolis, for that matter), and Pittsburghers certainly would not want to think of their city in that way. And while one might argue that such self-perceptions do not ride on the presence of a few ubiquitous restaurant chains, there is little doubt that a city's sense of itself is built and fortified by its *local* success stories.

Students and 20-Somethings

One sub-market that would not at first seem to offer a viable opportunity for the Golden Triangle is youth-oriented nightlife, given the strength of the competition.

Students and 20-somethings with conventional sensibilities already have a destination of their own in **East Carson Street**, with its raucous stretch of college/post-collegiate bars and its block-party atmosphere providing ample opportunity for those just looking to get drunk and/or get laid. And with the popularity of McFadden's, the **North Shore** is emerging as more than just a stadium-driven affair.

Those wanting to incorporate some dancing into their evening and wishing to do so in a traditional big-box setting can look to the East Warehouse section of **Station Square**, with its hugely popular Matrix complex, and to the **Strip District**, which, despite its struggles with high turnover and sporadic violence in the 2000's, still includes a number of such venues.

Also, young party-goers interested in a more self-consciously trendy clientele and environment have taken to the "ultra-lounge" concept since it arrived on the scene in 2006. Such establishments, with their swank interiors, dress codes, VIP sections and bottle service, represent a clear shift from standard-issue dance clubs, with their egalitarian admittance policies and out-of-control (sometimes dangerous) vibe.



Ultra lounges have opened on East Carson Street (e.g. Diesel, Elixir Ultra Lounge, etc.), in the Strip District (e.g. dejaAVu Lounge, Privilege, etc.), and soon, at Station Square (i.e. Zen).

Going forward, however, while the sprawling East Carson Street has no shortage of under-utilized storefronts that could be re-tenanted for nightlife uses, last year's passage of a City Council ordinance restricting liquor licenses in certain Pittsburgh business districts means that no additional ones can be granted on East Carson, and that aspiring bar-owners will have little choice but to look elsewhere.

This would seem to benefit **Station Square**, which has space (e.g. the lagging Freight House Shops) and land (e.g. to the immediate west) to play with. The longer-term plans of the owner, Cleveland, OH-based Forest City Enterprises, remain unclear, but presumably, the expensive build-out for its new ultra-lounge tenant, Zen, would not have been contemplated if the center would not going to remain as (or become even more of) a youth-oriented nightlife destination in the foreseeable future.

East Carson's saturation would also seem to help the Strip District, but while it has a number of existing nightlife draws, and while its advantages for dance clubs are obvious (i.e. large warehouse spaces, relative absence of nearby residential), the Strip has struggled with frequent turnover and periodic violence in the 2000's, and its reputation has been tarnished in such circles.

Then there is the North Shore, where the new Majestic Star Casino will include four bars and lounges, and where land between the two stadiums

remains to be redeveloped. Indeed, the one leading this push towards destination status, McFadden's, envisions as much, with its spokeswoman saying, "the idea [is] to make the North Shore the newest possible entertainment destination area in the City."²⁹

This could remain just an idea for the near term, due to a lack of new space. Cordish Companies' earlier efforts with a "North Shore Live" entertainment complex were unsuccessful and seem to have been dropped, while uncertainty still surrounds the casino project, with cost and financing issues yet to be fully resolved.

All of this suggests a shift towards Station Square, which presents an opportunity of sorts for Downtown's Firstside neighborhood, just a short walk across the Smithfield Street Bridge, where a growing number of students and a network of atmospheric yet under-utilized streets suggest the possibility of a new (albeit smaller-scale) nightlife destination.

Indeed, this direction makes sense not just because of all of the dormitory buildings but also, the proximity to under-served Duquesne students in the Bluff and, more generally, the increase in Downtown's 20-something residential population likely to result from the renewed focus on moderately-priced rental housing.



The presence of the Smithfield Street Bridge offers an opportunity for Firstside to take advantage of Station Square's nightlife energy.

Opportunity would seem to lie in both mainstream (given the proximity to Station Square) and more artsy/alternative (given the Art Institute student-residents) concepts. Possible operators include the **Steve Zumoff/Scott**

²⁹ According to Elizabeth Wittels, spokeswoman for East Coast Saloons, the operator of both McFadden's and Calico Jack's Cantina, as quoted in a June 7, 2007 *Pittsburgh Tribune-Review* piece by Rochelle Hentges entitled "(Night)life breathed into the North Shore".

Kramer tandem (Lava Lounge, Tiki Lounge, Double Wide Grill), as well as **Mike Hanley** (Fuel & Faddle).

Finally, in the name of inclusivity, efforts should be made to protect the long-time favorites of Downtown's large working-class contingent, like, for instance, Smithfield Café, and perhaps even, to pursue a moderately-priced diner concept.

Locational Bias

Not surprisingly, given its concentration of event venues, the undisputed center for dining and nightlife in the Golden Triangle is the Cultural District. "This is the side of town that is hopping," says Yves Carreau, owner of Sonoma Grille and Sevice. "[It is] the only hub of activity in town late at night."³⁰

Indeed, for Frank Sacco, owner of the now-closed Piccolo Piccolo at Wood and Fort Pitt, the Cultural District is the *only* sub-district that he would consider for a new restaurant in the Triangle. "Personally," he says, "if someone told me today, 'I have a spot in Downtown Pittsburgh', if it was in the Cultural District, I would consider it. Otherwise I wouldn't touch it."³¹

Part of the issue, of course, is pedestrian connectivity: for the average Pittsburgher, Downtown east of Liberty probably feels foreboding at night, a "no-go" area.

However, the recent opening of Capitol Grille and McCormick & Schmick's at Piatt Place signals of a new threat to the Cultural District's dominance. Indeed, Capitol Grille, arguably the nation's hottest upscale steakhouse chain at the moment, has raised eyebrows by choosing the Fifth and Market sub-district for its Western Pennsylvania location (even if the difficulty in finding a suitable floor-plate in the Triangle might have been the chief reason).

Dining and nightlife are not new to Market Square. For example, Market Square Ale House is popular, and The Original Oyster House is an institution. But with on-going improvements in the public realm and pedestrian connectivity (e.g. recent crackdown on drug activity, the removal of City buses, additional tables for outdoor dining, plans for a formal re-design and renovation) as well as high-profile redevelopment projects that will increase

³⁰ As quoted in Ibid.

³¹ As quoted in Ibid.

evening foot traffic and provide larger floor-plates, it is now once more on the radar screen as a possible location for *new* restaurants and nightspots.

Indeed, Market Square was about to welcome Sante, an upscale wine/dessert/cheese bar. The owner, Brian Price, had chosen the location partly because he felt that it was one of the next "up-and-coming" areas.³² Unfortunately, as a result of Mr. Price's tragic death, Sante's future is uncertain. However, more such offerings can be expected at the Market Square Place and Market at Fifth projects, and targeted for the Fifth and Market area more generally.

Looking still further into the future, this energy might ultimately gravitate further east along Forbes as well, with the Market Square Place project and with Millcraft Industries' plans for further mixed-use development at "The Gardens" between Market Square and Wood. (Also, Point Park University will be relocating the Pittsburgh Playhouse to the block between Wood and Smithfield, but the impact of that will be longer-term, since the move will not be made until 2015 at the earliest).³³



New projects like Millcraft Industries' Market Square Place are helping to transform the Fifth and Market area into a more desirable location for *new* dining and nightlife offerings.

Finally, one cannot help but feel that dining and nightlife operators might gravitate to the human scale, historic buildings and atmospheric streets of Firstside, particularly the Market and First Avenue corridors. Similar urban neighborhoods elsewhere across the country have re-emerged in precisely this fashion; indeed, there is even a history of such use here, with the extremely popular but now-defunct Froggy's.³⁴

³² According to spokeswoman Tara Rieland, as quoted in a March 20, 2008 article by Mark Belko in *The Pittsburgh Post-Gazette*, entitled "Dunkin Donuts, dessert bar planned for Market Square".

³⁴ One might point to the closing of Piccolo Piccolo at Wood and Fort Pitt Boulevard as evidence that evening fare cannot work in this part of town, but that restaurant catered largely to a Cultural District clientele and was therefore not aligned with nearby traffic drivers.

Specifically, as discussed above, Firstside is well-positioned to take advantage of the limitations of liquor licenses on East Carson Street, with youth-oriented nightlife impresarios possibly becoming interested in its location just across the Smithfield Street Bridge from Station Square (see above), and its nearby student population.

Since they would be geared towards a different, younger audience, such venues would *not* jeopardize the upward momentum of nearby Market Square, and since they would be confined to the Firstside district, they would not introduce an unwelcome East Carson Street-style rowdiness to the mature nightlife quarters at Market Square or in the Cultural District.

**Event-Driven Retail and The Dining/Nightlife Scene:
Tenanting Possibilities**

Yves Carreau
Robin Fernandez
Spencer Warren
Tom Baron/Big Burrito Restaurant Group
Bice Ristorante/Bice Lounge
Ra Sushi Bar
Maker's Mark Bourbon House & Lounge
Becky and Bob Gomes
B DeFrancis
Gregg Caliguiri
Michael Symon
Kooma Japanese Restaurant
Latin Concepts
The Oceanaire Seafood Room
Ted's Montana Grill
Fogo de Chao
Steve Zumoff and Scott Kramer
Mike Hanley

Chapter 4

Student-Driven Retail

As discussed earlier in the section on "Resident-Driven Retail", students account for over half of the Golden Triangle's residential population. But that is only part of the impact educational institutions have on Downtown retail, with commuters, continuing-education enrollees, instructors and staff supplementing demand during the day and into the evening.

Furthermore, two of the three universities are located in the same Firstside neighborhood, and though neither is especially large, taken together the two aggregate to 6,800 enrollees, roughly equivalent to the number at Xavier University in Cincinnati, OH, for example.

This has been sufficient to attract and support a modest student-oriented mix, with some basic staples like a Barnes & Nobles college bookstore, Starbucks Coffee, FedEx Kinko's³⁵, a 24-hour convenience store (with 24-hour coffee), an popular (and, of course, inexpensive) taqueria, several fast-food purveyors, as well as Cricket, a low-priced cell-phone brand popular among students.



Cricket's cell-phone plans tend to be popular among students.

On top of that, Point Park University's projected enrollment-growth will eventually take the total to at least 7,500. Of course, 7,500 is still just a fraction of the number in Oakland, and one should be careful not to over-estimate the scale of additional retail that such a number can support. Indeed, that was the Urban Land Institute's (ULI) message in its recent panel report to Point Park University.

³⁵ Of course, the FedEx Kinko's on Grant is not really student-driven: much of its business is generated by the office users in that area.

One should also be careful, however, not to *under*-estimate this market's potential either. ULI based its estimates on supportable-square-footage on the Point Park University student population alone; for some reason, it did not include the 3,200 at the Art Institute of Pittsburgh, or, for that matter, the roughly 1,100 at the Pennsylvania Culinary Institute and the 10,000+ at Duquesne University, which, despite the recently-opened "Power Center", still lacks a true "college-town" feel.

Furthermore, it is likely that a relatively high percentage of the students who live in the Golden Triangle do not own cars, and would use Downtown for convenience goods/services as well as for weekday, "non-destination" dining and nightlife, supplementing evening demand, for example, at casual eateries, coffeehouses and low-key neighborhood bars.

In addition, many of the cubicles in Downtown's office buildings are filled with 20-somethings who have recently graduated from college and entered adult life but still manifest similar sensibilities as consumers. And with the Art Institute as one of the anchors, one could imagine a wider, region-wide pool of creative and alternative types (i.e. "hipsters") as part of the mix.



A car: something that a dorm room in the Golden Triangle allows one to do without.

Perhaps the biggest obstacle to Firstside's continued evolution, however, is the competition, which is both nearby and formidable.

Of course, **East Carson Street** is the region's premier nightlife destination for the student/20-something demographic (see previous chapter), but it also contains a number of daytime "alterna"-draws that one would typically find in a "college-town" setting, including, for example, Slacker and Culture Shop (alt-variety), Dave's Music Mine (CD's and vinyl), Yesterday's News (vintage clothing), the local branch of Utrecht Art Supplies (one of the nation's leading art-supply chains), and, of course, Beehive ("indie" coffeehouse).



East Carson Street remains a formidable competitor for students and 20-somethings with alternative sensibilities (and the prospective tenants that want to cater to them).

And while many of the stores at the nearby **SouthSide Works** focus on a higher price-point or different life-stage, the center also includes a number of mass-marketed brands catering to a more youthful and trendy sensibility, including, for instance, Urban Outfitters, H&M, Forever 21, REI, Steve Madden, Puma and American Eagle Outfitters/aerie.



American Eagle Outfitters: one of several brands at SouthSide Works that appeal to the student market.

Meanwhile, **Oakland** boasts a far larger number of students than the Golden Triangle, and while the neighborhood's comparison-goods offerings are rather limited (just American Apparel, Rue 21 and New Balance), it contains a slew of casual sit-down restaurants, including the region's largest collection of ethnic eateries, and streets like Forbes and Craig offer a true "college-town" feel.

Also, further east, students are visible in **Squirrel Hill** as well, shopping at The Garage and Avalon Exchange (which moved there from Oakland) and hanging at 61C Café. And **The Waterfront at Homestead** draws the younger demographic on the South Side and East End for mass-market brands like Old Navy, Abercrombie & Fitch, Express, Journeys, Pacific Sunwear, etc.



Streets like Forbes, in Oakland, offer a true "college-town" feel.

Where can Downtown fit in all of this? With the student/20-something demographic so heavily concentrated on East Carson Street and vacant and re-tenantable spaces still left in that corridor, it might not be the preferred choice of youth-oriented operators looking to open their first or only location in the market.

Having said that, a sales pitch highlighting the artsy vibe of the student population, the young professionals in the office buildings and the high levels of foot traffic on Smithfield could prove effective with national "alt"-brands like **American Apparel** and **Clothing Warehouse** (vintage threads), local operators such as **Avalon Exchange** and **The Garage** (if the Squirrel Hill retainer is willing to try again with expansion), or **Café Metro** and **Access**, two State College purveyors of hip labels.

Indeed, this sub-market presents one of the two possibilities in the Golden Triangle for boutique retailing (in addition to the concepts catering to an older, more affluent style maven, as discussed in Chapter 5 below). Generally speaking, though, comparison goods stores are best sited not in Firstside itself, but on the stretches of Wood and Smithfield to the north, in closer proximity to large office-worker concentrations and Downtown's shopping core.



Access, a boutique on College Street in Downtown State College

Perhaps the most promising direction for this sub-market, however, is fast-casual eateries, for two reasons. One, students have always exhibited strong demand for such concepts. And two, operators can also rely on office workers, who are to a large extent "captive" for lunch (as opposed to comparison-goods shopping).

Targets include the aforementioned **Five Guys Burgers and Fries**, **Pizza Sola**, **Sushi Boat**, **LuLu's Noodles** and **Irving's** (State College), all four of which have existing locations in "college-town" settings but would also appeal to cubicle-dwellers. Again, such tenancies would make sense in spaces on Wood and Smithfield north of Firstside, closer to large office-worker concentrations.

Proximity to both students and workers could also appeal to the affordable-luxury providers and male-only salons. Indeed, one of **For Men Only's** two existing locations is in State College. A related opportunity is **Aveda Institute**, Aveda's cosmetology-school division, where the unskilled can learn a trade while budget-conscious undergraduates can get inexpensive haircuts. Once more, these sorts of businesses are likely to be drawn to Wood and Smithfield north of Firstside.



UNC students can get cheap haircuts at the Aveda Institute on Franklin Street, the main drag of Chapel Hill

Furthermore, although Firstside is never going to be Oakland, it can and needs to attract some of the anchor businesses that define a classic "college town". For example, while it has a Starbucks Coffee, it lacks a true coffeehouse that can serve as that "Third-Place" for students, with comfy chairs, free wireless, later hours, perhaps a vaguely artsy/alternative vibe (given the Art Institute), etc.

Possibilities include **Kiva Han** (which has two existing locations) or **Beehive** (which is part of the Scott Kramer/Steve Zumoff empire), as well as single-unit operators like **61C Café** or **Uptown Coffee**. And **Espresso Royale Café** is a small chain that has often played the role of student hangout in college towns across the country, with each location given the autonomy to develop its own unique identity and look as well as sell local goods (although its interest in such markets might be waning).



The interior of an Espresso Royale Cafe

Another college-town staple is the 24-hour diner, for the student who needs to pull an "all-nighter", or to eat some food after a bar crawl, etc. Indeed, Firstside is well-located for this latter sort of customer, given its proximity to Station Square. One possibility is **Tom's Diner**, a local icon with existing locations on East Carson Street and in Dormont.

It might be difficult to attract other sorts of casual sit-down eateries to Firstside at this early stage. One operator that would be worth approaching is **Mike Hanley**, the owner of two well-executed concepts in Oakland, Fuel & Fuddle and Joe Mama's Italian Deluxe. Another possibility is **Dinosaur Bar-B-Que**, the wildly-popular Southern-barbecue/live-blues roadhouse with locations in Syracuse, Rochester and New York City.



Mike Hanley's handiwork in Oakland

In trying to capture the atmosphere of a concept that has long been confined to "the other side of the tracks", Dinosaur Bar-B-Que actually *prefers* raw buildings in edgy, fringe areas like Firstside, and with its ability to generate its own "buzz", it can serve to jump-start the re-emergence on the neighborhood's otherwise quiet side streets. Indeed, with an appeal that cuts across all walks of life, it can draw a far broader clientele than just students.



The Dinosaur Bar-B-Que location in an industrialized area of Manhattan's West Harlem

Also, as discussed in the previous chapter, Firstside might stand to gain from its proximity to Station Square nightlife and the limitations on liquor licenses

on East Carson Street, with new bars and lounges catering to the student/20-something set. **Mike Hanley** and **Steve Zumoff/Scott Kramer** were mentioned as possible operators.

Of course, not everyone considers such potentially raucous nighttime uses to be desirable, but one should keep in mind that it can help to bring and support 24-hour diners and other casual sit-down eateries and, speaking more generally, could give Firstside the sort of "buzz" that will then attract more interest from prospective student-enrollees as well as 20-something/young-professional renters.



Double Wide Grill: a bar in an old gas station on East Carson Street, and an example of the sorts of distinctive nightlife concepts developed by the Steve Kumoff/Scott Kramer tandem

"Academic Village" Plan

Point Park University, with its "Academic Village" plan, has established itself as *the* driver in this part of Downtown, and should be commended, encouraged and assisted in every way possible, yet one could think even more broadly about the opportunity that the Firstside neighborhood presents.

Of course, the "Academic Village" plan is an ambitious one, especially given the size of Point Park University's enrollment and operating budget, and so it is wise not to over-reach. Indeed, the University would probably be stretching itself too thin by focusing on real-estate projects in other corridors anytime soon.

Furthermore, Point Park University is understandably focused on its own "customers", on creating an identifiable "campus" in which students will feel safe and have a sense of ownership, and where parents will feel comfortable sending their kids. For this reason, the University should not necessarily be expected to take a larger, Downtown-wide view.

The responsibility, then, falls to the PDP, as the one that should take the lead on retail. The prospective tenants referenced above are most likely to respond to this larger, Downtown-wide view, and the PDP is the logical entity to make such a case, to market a vision that includes not just Point Park University, but also, other drivers in this part of town, like the Art Institute of Pittsburgh, the daytime office workers, etc.

Furthermore, the "Academic Village" plan concentrates efforts largely on Wood Street and the Boulevard of the Allies (as well as Forbes Avenue, with the Pittsburgh Playhouse), and for good reason: that is where the University has site-control. PDP can and should expand that focus west to Market and east to Grant, so as to allow for the inclusion of other corridors like Smithfield, First Avenue and Market.

Smithfield not only offers a higher level of foot traffic than Wood and a more continuous stretch of storefronts, but also, it sits at the nexus of Point Park University and the Art Institute of Pittsburgh, and is a block closer to Duquesne University. As such, it is the corridor where most student-oriented businesses would most likely want to locate. And as discussed earlier, the atmospheric streets of First Avenue and Market offer dining/nightlife potential.

There is, however, one area where the University needs to be pushed more aggressively: it should be discouraged from burying retail uses, like a "Third Place" coffeehouse, within a self-contained, Student Union complex. Doing so would, as in an enclosed mall, waste an opportunity to create synergies on the street level, transform perceptions of Firstside (as a place of youthful vitality and emerging community), and fashion a true urban "village".



In order to maximize the opportunity that the "Academic Village" plan presents, student-oriented retail uses should be located in street-level storefronts, and not internalized in a new Student Union complex.

Student-Driven Retail: Tenanting Possibilities

American Apparel
Clothing Warehouse
Avalon Exchange
The Garage
Café Metro
Access
Aveda Institute
Kiva Han
Beehive (Steve Zumoff and Scott Kramer)
61C Café
Uptown Coffee
Espresso Royale Café
Tom's Diner
Dinosaur Bar-B-Que

Chapter 5

Destination Retail

In contrast to businesses that derive much of their sales from people who are in Downtown primarily for other reasons (e.g. work, home, events, etc.), "destination" stores are able to draw shoppers on their own, without help from other uses. Their customer base lives elsewhere, but it is willing to make the trip Downtown just for them.

Destination stores typically sell comparison goods, i.e. goods for which consumers prefer to "comparison-shop", such as fashion-related merchandise, like clothing, shoes and jewelry. Only rarely, as in the case of cult-like brands such as Whole Foods and Trader Joe's, do they focus on every-day conveniences.

Put simply, such stores become destinations because their target market cannot find a similar concept, the same styles or brands, comparable pricing, etc. closer to home. The ones with the widest draws cannot be found anywhere else, hence, the appeal of boutiques, but a chain can achieve this status as well, if, for example, it only opens one store per market, or if its spread of existing locations can miss pockets where its customer base is concentrated.

As an example of a destination boutique, Chick Downtown offers local exclusives on certain brands, featuring labels that the fashionista would otherwise only find by traveling to New York and shopping at Barneys and Bergdorf Goodman. Indeed, the owner, Amy Reed, was inspired to open the store after meeting many Pittsburghers who said that they made most of their clothing purchases in the Big Apple.³⁶

Saks Fifth Avenue might not be a true one-of-a-kind retailer -- there are 54 in the across the United States -- but its Downtown store is still a destination because it is the only one in the Pittsburgh metropolitan area -- in fact, the only one between Philadelphia and Cleveland -- and it is easily (and will remain even after the opening of Nordstrom) the most upscale department store in the region.

The same holds with Macy's and Burlington Coat Factory, albeit on a micro scale. For example, there are six Burlington's in the metro, and many more

³⁶ As stated in a May 4, 2007 *Pittsburgh Business Times* article by Tim Schooley, entitled "Chic boutique aims to bring high fashion to Cultural District".

"off-price fashion retailers" of similar ilk (e.g. Marshalls, Ross Dress For Less, etc.), but none as easily accessible for the under-served residents of the nearby Hill District, Uptown, the North Shore, etc. The one in Downtown, then, becomes a destination of sorts for this population.

Interestingly, most of the destination retail in the Golden Triangle falls into two categories: one that focuses on the affluent shopper, the other, on the lower-income household and culture-specific consumer (see below). With Macy's and Burlington Coat Factory as notable exceptions, there is very little in the middle.



The **culture-specific** consumer is one with a need or desire for goods or services particular to his/her culture. An example is the demand among young African-Americans for urban sportswear labels.

One can hypothesize that the middle is poorly represented because the mass market is so well-served elsewhere, in Robinson/North Fayette, on McKnight Road, at WaterWorks, at Pittsburgh Mills, at The Waterfront at Homestead, in Monroeville, etc., whereas:

- 1) Lower-income and culture-specific retailers are more numerous because their customer predominates in the close-in neighborhoods and uses Downtown as its local business district; and
- 2) Stores catering to more affluent shoppers like the Golden Triangle because in a market like Pittsburgh's, with a relatively modest number of wealthy households that are scattered across the region, they need locations that can be easily accessed from all directions, rather than ones that can only draw from the immediate area.

Given that these two niches are the most well-developed ones in the Golden Triangle, and given the adage that one should build from strength, the

following will start with an analysis of the potential for destination retail that caters to one, the up-market shopper, and two, the lower-income/culture-specific consumer. Ironically, it will return to the middle in the end, as a means of bridging these two extremes.

This chapter will start with a review of the region's competitive marketplace proceeding to a discussion of other relevant factors specific to Downtown itself, detailing the demographic and psycho-graphic profile of the trade area, and then finishing with recommendations on appropriate market positioning and tenanting possibilities.

Up-market Destination Retail: Review of Competition

In recent history, up-market destination retail in the Pittsburgh region has been heavily concentrated³⁷ in the following business districts and shopping centers:



For the purposes of this report, the word "up-market" is meant to include a sub-set of retailers that might be characterized as *luxury* (e.g. Saks Fifth Avenue, Nordstrom, Tiffany, Burberry, Louis Vuitton, Michael Kors, etc). However, the sub-market for such brands should also be analyzed independently, and is discussed separately at certain points where appropriate.

Shadyside/East Liberty

Once known as Pittsburgh's version of "Haight-Ashbury", the stretch of **Walnut Street** from Aiken to Negley has emerged since the '80's as the region's premier pedestrian-oriented shopping street.



Walnut Street (Shadyside)

Location: Stretch between Aiken and Negley

Distance/Access: 12-min drive, via Liberty; 3.40 miles ("as the crow flies")

Up-market Chains: Banana Republic, J. Crew, Talbots, Ann Taylor, Coach, L'Occitane, Pottery Barn, Williams-Sonoma, Chico's, White House/Block Market, Apple, Rolex, Sephora

Up-market Boutiques: MaxAlto, Choices, E.B. Pepper, Footloose, Cosmetique DeStefino's, Eyetique, etc.

Parking: On-street metered spaces; Pittsburgh Parking Authority's 208-space "Shadyside Garage"; 74 spaces in one un-attended, metered facility

³⁷ Note the use of the phrase "heavily concentrated", as opposed to "found exclusively" - exceptions do exist, but the lion's share can be found in the districts enumerated here.

One cannot help but feel at this point that Walnut Street has become overrun with national chains -- hence, the derisive nickname, "Mall-nut" Street -- but for many, the shopping precinct's true appeal lies in its mix of popular brands and established (some, very high-end) boutiques.

Walnut Street, however, has become severely challenged in the competition for chains, not because they do not want to be there, but rather, with such high occupancy, they cannot find the space. This is at least part of the reason why Southside Works was able to lure stores like BCBG Max Azria and Steve Madden.

"There are retailers that want to come to the street that we just do not have the space to accommodate."

- Tony Dolan, Principal of Walnut Capital Partners, a major landlord on Walnut, in a January 10, 2005 *Pittsburgh Business Times* piece by Tom Schooley, entitled "Sharing the wealth"

At the same time, Walnut Street's success poses a challenge to its ability to keep a *mix* of chains and independents. Indeed, the stretch of nearby **Ellsworth Street** between Spahr Street and Maryland Avenue is a far more realistic option for boutiques unable and/or unwilling to absorb Walnut's unforgiving rents.



Ellsworth Avenue (Shadyside)

Location: Stretch between Spahr and Maryland

Distance/Access: 12-minute drive (via Bigelow/Baum); 3.64 miles ("as the crow flies")

Larger Chains: None

Boutiques: Eons, Hey Betty, Hiptique, Little Black Dress, bondstreet shoes, Enchantment, etc.

Parking: On-street spaces only

Ellsworth also has a large fashion component, but it is *entirely* boutique-driven, with independents there tending to have a more offbeat or contemporary look than the ones that remain on Walnut. Several (e.g. Eons, Hiptique, Little Black Dress, etc.) have emerged as destinations in their own right.

The street, however, can feel quite sleepy, with relatively low levels of foot traffic. As a result, the onus is to a significant extent on the merchants themselves to generate traffic, which can be a challenge for upstarts. Also, there is a parking problem, with no municipal lot or deck for destination shoppers.

Help on both of these fronts will arrive with the new pedestrian bridge planned at Ellsworth and Spahr, which is to cross above the East Busway and the railroad tracks to the Eastside shopping center in East Liberty, thereby connecting Ellsworth to its well-off, well-educated shoppers as well as its parking deck.

A larger issue with both Walnut and Ellsworth, however, is regional access. Not only are they a bit removed from the closest freeway (I-376/Parkway East, Exit 5), but they require travel on relatively narrow "collector" roads like Negley or Aiken, suggesting more of a community-wide draw focused on the East End, rather than a metro-wide one pulling heavily from the South Hills, North Hills, etc.



The success of the Whole Foods Market store at Eastside has proved and/or created a market for higher-end retail in East Liberty.

The last six years have also seen nearby **East Liberty** become a destination for more affluent shoppers, not so much for comparison goods, but rather, for groceries, with the 2002 opening of Whole Foods Market, which is one of the chain's most successful stores in the country, and the 2006 Pittsburgh debut of Trader Joe's.

The larger emergence of East Liberty is partly a function of centrality and access: it sits in the middle of the East Side, at the confluence of a number of arterial roads. This has been the case for some time -- indeed, it partly explains why East Liberty was once Pittsburgh's "second downtown" -- but

the success of Whole Foods has helped to reverse the negative perceptions that had precluded a broader draw.

East Liberty also benefits from the large-lot development patterns along its various arterial roads and the preference for "super-blocks" in the urban renewal era, both of which have resulted in the sorts of roomier parcels that can accommodate chains or developers eager to tap the affluence on the East Side but challenged to find the real estate on its high-occupancy/small-scale shopping streets to build upscale box brands or a critical mass of retail space.

For example, at the intersection of Penn Avenue and Centre Avenue, efforts are ongoing to bring a two-level, 156,000 sq.ft. Target to the site of the Penn Circle high-rise, and the 120,000 sq.ft. of retail space envisioned for Pittsburgh, PA-based Mosites Development Company's "**Eastern Gateway**" site could, in theory, also include box stores that appeal to a more upscale clientele.

Also, Pittsburgh, PA-based Walnut Capital Partners, a major landlord on Walnut Street, is moving ahead with "**Bakery Square**", a mixed-use redevelopment of an old Nabisco baking plant at the intersection of Penn Avenue and East Liberty Boulevard that will include 136,000 sq.ft. of retail space in an internal "Main Street" layout.



Bakery Square (East Liberty)

Location: Penn Avenue and East Liberty Boulevard

Distance/Access: 14-minute drive (via Ross/Baum); 4.45 miles ("as the crow flies")

Developer: Walnut Capital Partners

Retail Mix: 177,000 sq.ft., including a 42,000 sq.ft. fitness club

Other Uses: 216,000 sq.ft. of office space and a 110-room Marriott SpringHill Suites

Parking: 932-space on-site garage, 99 on-site surface spaces

And at the same time, a development partnership known as DOC-Economou is planning **"Baum-Liberty"**, a three-block, seven-acre mixed-use redevelopment of the former Don Allen Auto City complex at Liberty and Baum that will deliver 408,000 sq.ft. of new retail space. This site sits just five blocks north of the Aiken Street end of the Walnut Street corridor.

Baum-Liberty (Shadyside/Bloomfield)

Location: Liberty Avenue and Baum Boulevard

Distance/Access: 10-minute drive (via Bigelow/Baum); 3.35 miles ("as the crow flies")

Developer: DOC-Economou

Retail Mix: 408,000 sq.ft. of retail space

Other Uses: 300,000 sq.ft. of office/medical space, 120-room hotel, 150 condominiums and townhomes

Parking: 1,200 to 1,500 on-site spaces, mostly underground



However, even though East Liberty is more central to and easier to access from the East Side as well as nearby suburbs than say, Walnut or Ellsworth, its ability to tap a larger regional audience is still questionable, given its distance from the freeway network, suggesting, again, more of a community-wide draw.

Squirrel Hill/Homestead

Squirrel Hill's shopping precinct -- on Forbes between Murray and Shady, and on Murray from Forbes to as far south as Forward -- is one of the region's most appealing, not so much for its destination stores, but rather, with its walk-ability, neighborhood feel, easy-going vibe and eclectic mix of businesses, as a place, simply, to be.

This stretch of Forbes does contain a handful of up-market draws, like Orr's Jewelers, Little's Shoes, Charles Spiegel For Men and The Pussycat, but the larger threat that Forbes/Murray poses, and one with which Downtown will

be very hard-pressed to compete, is as a traditional urban business district where one would want to spend a languid weekend afternoon.



Forbes Avenue (Squirrel Hill)

Location: Forbes, from Murray to Shady (for destination shopping)

Distance/Access: 9-minute drive (via I-376/Murray Avenue); 3.97 miles ("as the crow flies")

Larger Chains: None

Boutiques: Orr's Jewelers, Little's Shoes, Charles Spiegel For Men, The Pussycat, etc.

Parking: On-street metered spaces; 274 spaces in four un-attended, metered facilities

Squirrel Hill boasts good access from I-376/Parkway East (Exit 5), but it has struggled to attract higher-end destination chains, partly due to the typical challenges of finding suitable space in these kinds of shopping precincts, but also probably because it sits so close to (and overlaps trade areas with) Shadyside's Walnut Street.

Monroeville

The closest conventional mall for East Side residents is the two-level, 1.13 million square-foot **Monroeville Mall**, on William Penn Highway / U.S. 22 in Monroeville, less than two miles from the I-76/I-376 interchange. The center enjoys 96% occupancy but just mid-range sales of roughly \$320/sq.ft.³⁸

Despite mid-level department store anchors (J.C. Penney, Boscov's and Macy's), Monroeville Mall boasts a collection of up-market chains -- partly because of its newer open-air "The District" section.

³⁸ According to the "wikinvest" web-site of owner CBL & Associates.



Monroeville Mall (Monroeville, PA)

Location: William Penn Highway/U.S. 22 and Don Drive

Distance/Access: 18-minute drive (via I-376); 10.80 miles ("as the crow flies")

Owner: CBL & Associates

Size: 1.13 million square-feet, on two levels

Anchor: Macy's, Boscov's, J.C. Penney

Junior Anchor: Burlington Coat Factory, Forever 21, Barnes & Noble, Dick's Sporting Goods, Best Buy, etc.

Up-market Chains: Brookstone, Cache, Chico's, Coldwater Creek, j.jill, Mimi Maternity, White House/Black Market, Crabtree & Evelyn, Johnston & Murphy, Nine West

The Waterfront at Homestead and WaterWorks Mall

Both **The Waterfront at Homestead** and **WaterWorks Mall** are primarily mid-market in orientation and of relatively limited importance to this analysis, except that they are the closest centers to the Golden Triangle with the sorts of big- and medium-box brands that tend to appeal to more affluent shoppers, like Target, T.J. Maxx, Filene's Basement and DSW Shoe Warehouse (The Waterfront) and T.J. Maxx (WaterWorks).



The Waterfront at Homestead

Location: Underneath the Homestead Grays Bridge

Distance/Access: 12-minute drive (via I-376/Browns Hill Road); 4.86 miles ("as the crow flies")

Upscale Box Brands: Target, T.J. Maxx, Filene's Basement, DSW Shoe Warehouse, etc.

WaterWorks Mall

Location: Freeport Road, near Fox Chapel Road

Distance/Access: 14-minute drive (via State Road 28); 6.68 miles ("as the crow flies")

Upscale Box Brands: T.J. Maxx, etc.

South Hills

South Hills Village, the two-level, 1.15-million square-foot enclosed mall located at the intersection of Washington Road/U.S. 19 and Fort Couch Road in Bethel Park, enjoys the best demographics of the Pittsburgh area's

regional shopping destinations, nestled as it is amidst the affluence of the South Hills.³⁹

"They're smarter, richer and better looking."

- Patrick Kellner, a local real estate professional, when asked to describe the South Hills customer that resides in Mt. Lebanon and Upper St. Clair

Yet while the center contains a number of the up-market brands found on Walnut Street in Shadyside, its department stores are surprisingly ordinary. The owner, Indianapolis, IN-based Simon Property Group, had the opportunity to land a higher-end anchor when Kaufmann's left in 2006, but the best it could do was the decidedly mid-market Boscov's.

Nordstrom had been rumored for the space, but opted instead for Simon's North Hills property, Ross Park Mall (see below). And the fact that Saks Fifth Avenue did not decamp to South Hills Village, despite the center's location amidst the region's largest concentration of Saks shoppers, is perhaps the clearest evidence that the upscale retailer is committed to the Golden Triangle.

Also, according to sources, Whole Foods was considering South Hills Village for a store catering to the affluent communities of the South Hills, and while one would think that the grocer would have even more interest now, given the uncertainty surrounding the Collier Crossing project (see below) to which it had earlier committed, two years have passed since that rumor was first reported and nothing has been announced.



South Hills Village (Bethel Park)

Location: Washington Rd/U.S. 19 and Fort Couch Rd

Distance/Access: 19-minute drive (via U.S. 19); 7.29 miles ('as the crow flies'); light-rail station

Owner: Simon Property Group

Size: 1.15 million square-feet, on two levels

Anchor: Sears, Macy's, Boscov's, Carmike Cinemas (ten screens)

Junior Anchor: Barnes & Noble, Dick's Sporting Goods, Macy's Furniture Gallery

Up-market Chains: Banana Republic, bebe, Cache, Coach, J. Crew, j.jill, White House/Black Market, Johnston & Murphy, Apple, Bailey Banks & Biddle, Bandolino, Brookstone, Sephora

Up-market Boutiques: Eyetique

Parking: Surface, free

³⁹ According to Patrick Kellner, the local real estate professional who helped to lease the in-line space at Forest City Enterprises' The Mall at Robinson, as quoted in a February, June 10, 2005 piece by Tim Schooley in the *Pittsburgh Business Times* entitled "Survey ranks Ross Park Mall tops in terms of most consumer traffic".

The other major shopping destination in the affluent South Hills is the **Galleria of Mt. Lebanon**, a three-level, 250,000 sq.ft. enclosed lifestyle center in the former Kaufmann's department store building at the intersection of Washington Road/U.S. 19 and Gilkeson Road/Connor Road in Mt. Lebanon.



Galleria of Mt. Lebanon (Mt. Lebanon)

Location: Washington Rd/U.S. 19 and Gilkeson Road/Connor Road

Distance/Access: 18-minute drive (via U.S. 19/P.A. 51, P.A. 88/Connor Rd); 6.38 miles ("as the crow flies")

Owner: RREEF

Size: 250,000 sq.ft., on three levels

Anchor: Carmike Cinemas (six screens)

Up-market Chains: Chico's, Coldwater Creek, Ann Taylor, Talbots/Talbots Petites/Talbot's Woman, Cache, Mimi Maternity, Godiva Chocolatier, Crabtree & Evelyn, Pottery Barn/Pottery Barn Kids, Williams-Sonoma, Restoration Hardware, Anthropologie

Up-market Boutiques: H. Baskin Clothier, Larrimor's, Footloose/Footloose Etc.

Parking: Surface/deck, free

Though the Galleria has long struggled to find its footing, and though the center lacks a traditional fashion anchor, it has managed nevertheless to build an impressive collection of up-market destination stores -- both chains and boutiques -- as well as the sole Western Pennsylvania locations for Anthropologie, Restoration Hardware and Pottery Barn Kids.



The Galleria of Mt. Lebanon had struggled to find its footing since first opening in 1986. In this context, Anthropologie's decision to locate its first Western Pennsylvania store there in 2003 was a real coup.

According to real estate experts⁴⁰, however, both the Galleria of Mt. Lebanon and South Hills Village are limited by the presence of the other. Because they split the customer base and tenant pool, neither can fully realize the leasing potential that results from agglomeration, which translates to a competitive disadvantage vis-à-vis, say, Ross Park Mall.

The South Hills also contains a number of traditional business districts, but only one of these -- the stretch of Washington Road/U.S. 19 between Shady Drive and Castle Shannon Boulevard, also known as **Uptown Mt. Lebanon** -- has the size and visibility needed to attract a critical mass of destination retailers.

Uptown appeals far less to chains than to boutiques, particularly, due to its more affordable rents, to less-established independents that cannot secure space in the nearby Galleria. Indeed, it even includes a few (e.g. Ona, Zipper Blues, Planet Art Gallery, etc.) that target a younger, more hip sensibility.



Uptown Mt. Lebanon (Mt. Lebanon)

Location: Washington Road/U.S. 19 (from Shady Drive to Castle Shannon Boulevard)

Distance/Access: 12-min drive (via U.S. 19); 4.58 miles ("as the crow flies")

Larger Chains: None

Boutiques: Ona, Zipper Jeans, Planet Art Gallery, Kool Kat Designs, rossi rossi, More Than Words, etc.

Parking: On-street metered spaces; two pay-by-rate garages and one metered lot

Having said that, one cannot help but feel that the shopping precinct should be more than it is. Vacancy levels are low, but the collection of destination stores is rather modest, given the name recognition and surrounding affluence. Furthermore, the look and feel of the place is not especially compelling.

Finally, with all of these South Hills shopping destinations, regional access is an issue. Those coming from, say, the North Hills or the East End have to drive for almost six miles on U.S. 19 before arriving at South Hills Village,

⁴⁰ Ibid.

which could explain why that mall could not land Nordstrom or Saks and why it, as well as the Galleria, might struggle to become anything more than a community-level draw.

The I-79 Corridor



Three other sites have the potential to compete for affluent South Hills households and the retailers that cater to them. They are all located in the I-79 corridor on the western edge of the sub-market, and on the eastern edge of fast-growing exurbs.

The first one, known as **Collier Crossing**, would be on the 60-acre site of Trader Jack's Flea Market at Steens Road and Thoms Run Road in Collier Township, where O'Hara, PA-based Echo Development is envisioning a mixed-use development with a large, regionally-oriented retail component. Echo has yet to release specific plans or announce committed tenants.

The site has attracted a succession of developers since the mid-'90's, including prominent ones like Tampa, FL-based DeBartolo Development, the Blue Bell, PA-based Goldenberg Group, Chattanooga, TN-based CBL & Associates and Dallas, TX-based Trammell Crow. Plans were typically for a 600,000 sq.ft. lifestyle center: Goldenberg had even clinched commitments from Whole Foods and Target.

The biggest challenge is that while site enjoys frontage along I-79, it lacks direct access to/from it, and so large-scale retail development there would require a new exit ramp, which ruin the economics of the project. An opportunity to include that in a recent Pennsylvania DOT road-widening project was missed because the site was tied up in court at the time.

The second project, **Newbury Market**, is on the 305-acre site of the former Reichold Chemical Co. plant in South Fayette Township, at Millers Run Road and Presto-Sygan Road and close to State Route 50. There, Pittsburgh, PA-based EQA Landmark Communities is planning a mixed-use development with nearly 900,000 sq.ft. of retail space, including a faux "Main Street". No specific tenants have been named.

The site sits just two miles south of Collier Crossing, and local retail experts agree that only one of these two projects is likely to be built, or at least built with large-scale destination retail. Newbury Market would seem to have the advantage at this point, since it already has the exit ramp on I-79 (Bridgeville).

Further south in the I-79 corridor, on the site of the former Western Center mental institution in Cecil Township across the County line, Cecil, PA-based Horizon Properties and Peoria, IL-based Cullinan Properties are planning **Southpointe Town Center**, a 500,000 sq.ft. open-air, pedestrian-oriented lifestyle center, as part of Horizon's larger, mixed-use Southpointe II development.



Prospective tenants are likely to be especially intrigued by the large office component at Southpointe, which would provide a built-in customer base.

No retailers have formally committed as of yet. And more to the point, of the up-market brands that have thus far expressed interest, signed a "Letter-of-Intent" (LOI) or appeared on site plans, the only one that does not already have locations in the South Hills sub-market and elsewhere in the region is Orvis, the iconic fly-fishing and outdoors-lifestyle retailer.

West Hills

The large retail concentration at/near the intersection of U.S. 22/U.S. 30 and State Road 60 in Robinson Township is, as would be expected given the West Hills location, decidedly mid-market in its orientation. And while a new lifestyle-center project there, **Settlers Ridge**, has received much attention, as of now only one up-market destination store, REI, has committed.

South Side Flats

The tenant mix at **SouthSide Works**, the open-air center at the intersection of East Carson Street and 27th Street, is largely oriented towards the younger consumer that predominates in the South Side Flats, but it does also include a selection of chains and boutiques that appeal to a more upscale shopper.

Of all of the regional shopping destinations described here, SouthSide Works is the one that comes closest to Downtown in terms of centrality and access. Perhaps this is why it was so successful with its strategy of attracting "new-to-market" national brands such as Z Gallerie, Sur la Table, Cole Haan, BCBG Max Azria, REI and Kenneth Cole.



SouthSide Works (South Side Flats)

Location: East Carson Street and 27th Street, near Hot Metal Bridge

Distance/Access: 7-minute drive (via Forbes Ave/Birmingham Bridge); 1.87 miles ("as the crow flies")

Owner: Soffer Organization

Anchors: SouthSide Works Multiplex, Cheesecake Factory, Joseph-Beth Booksellers, REI, H&M, Forever 21, American Eagle Outfitters, Urban Outfitters, Z Gallerie, Sur Le Table

Up-market Chains: Urban Outfitters, Z Gallerie, Sur La Table, Cole Haan, BCBG Max Azria, Nine West, White House/Black Market

Up-market Boutiques: Colleen Mac, de Stefino SouthSide, L.S. Altman, Karma, neovision, etc.

Parking: On-street spaces and on-site garages

However, one of these, Kenneth Cole, has already closed. Another, REI, will be opening a second location at Settlers Ridge, and still another, BCBG Max Azria, will soon be found also at Ross Park Mall. Indeed, SouthSide's first-in-market stores are not necessarily one-per-market chains, and with Simon Property Group making a similar push at Ross Park (see below), it might ultimately be forced to reposition.



With the exception of a small cluster near the Birmingham Bridge (Jupe Boutique at 2306, Pittsburgh Jeans Company at 2222, Perlora at 2220), fashion offerings on **East Carson Street** in the South Side Flats are primarily geared towards a younger, more alternative, less designer-focused shopper. Indeed, the last year has seen Torque Denim (at 1931) close its doors and Original Cin (at 1922) move to Sewickley. LXXX

Lawrenceville

The resurgent artist/hipster enclave of Lawrenceville has seen a handful of fashion and home boutiques open alongside galleries on the once-forlorn **Butler Street**. Independents such as these are especially drawn to Butler because the rents there are cheaper than even "spill-over" shopping streets such as Ellsworth, and so break-even points are correspondingly lower.

However, while they might need the inexpensive rents, their merchandise not necessarily cheap. Indeed, Butler Street is clearly moving to the second stage of retail revitalization, with boutiques that cater not to the starving artists that pioneered the area, but rather, to higher-income "yup-sters" with artsy sensibilities as well as deep pockets.

Not surprisingly, Butler is no longer as much of a bargain as it once was, but aspiring boutique-owners are unlikely to encounter much difficulty in finding affordable space for the foreseeable future because one, the corridor's levels of foot traffic are at this time insufficient to attract more established retailers and two, it sprawls for so long and its supply of storefronts is so large.



Butler Street (Lawrenceville)

Location: Butler Street, heading north from the intersection with Penn Avenue

Distance/Access: 6-min drive (via Liberty); 2.27 miles ("as the crow flies")

Up-market Chains: None

Up-market Boutiques: Sugar Boutique, Pavement Shoes, Divertido, Accessorize, Scavenger Antiques, Elements, Who New?, etc.

Parking: On-street metered spaces; one small metered lot

North Hills

The dominant shopping destination in the North Hills is **Ross Park Mall**, a two-level, one million square-foot enclosed mall perched above a bluff on McKnight Road in Ross Township. An "A" level center, it is the strongest one in the Pittsburgh metro, with its \$450 per square-foot in sales topping the region.⁴¹

Ross Park Mall is in the middle of an expansion and re-tenanting intended to position it as the only shopping destination in the region that truly draws from the entire region. This includes not just a new 65,000 sq.ft. open-air "lifestyle" addition but also, more importantly, the teardown of an old Macy's store and its replacement with the area's one and only Nordstrom's.

The decision by Nordstrom to open at Ross Park has ushered in a new era for the mall and for Pittsburgh retail more generally. Already possessing a large number of up-market chains, Ross Park is now becoming a destination for the sorts of *luxury* brands that have eschewed Western Pennsylvania in the past.

Indeed, Tiffany & Co. followed the Nordstrom announcement with its own commitment to a 5,700 sq.ft. space in the lifestyle addition, and more recently, leases were signed with the likes of Burberry, Louis Vuitton, Michael Kors and True Religion. By way of comparison, this puts the

⁴¹ According to Steven Zamias, President of Johnstown, PA-based Zamias Services, majority owner of the Galleria at Pittsburgh Mills, as reported in a November 23, 2007 *Pittsburgh Business Times* piece by Tim Schooley, entitled "Region's malls face increased competition, rising gas prices".

Pittsburgh market ahead of Cleveland's, where just one of these five brands (True Religion) has a location.

Ross Park's recent luxury turn is a bit of a head-scratcher. It hides on top of a hill, above the uninspiring sprawl-scape of McKnight Road, some 3.5 miles from the nearest freeway exit. And it is inconveniently-located for the region's two other bases of affluence, in the East End and the South Hills; indeed, Downtown would seem to have made more sense, especially with its Saks Fifth Avenue anchor (see below).

However, Nordstrom is one of the few brands with the sort of draw that could fundamentally reconfigure a region's shopping patterns. Indeed, its decision, even if the wrong one, might have a sort of self-correcting quality to it, especially with all of the other luxury brands that follow and the critical mass that develops.

As for other high-profile, up-market brands considering Ross Park for what is likely to be their one and only location in the region, L.L. Bean will be opening a two-story, 36,000 sq.ft. store in the lifestyle addition. However, Crate & Barrel, despite its stated interest in the Pittsburgh market, has still not committed.

Saks Fifth Avenue has only a few years left on its lease in Downtown, and is taking a "wait-and-see" attitude towards renewal. However, it is unclear at this point how Simon could find the space for another department store: mall management has publicly stated its intention to retain a mid-market component at Ross Park and its commitment to keeping Sears and J.C. Penney as anchors there.⁴²

⁴² According to a February 20, 2008 *Pittsburgh Post-Gazette* piece by Teresa F. Lindeman entitled "Change is in the air at Ross Park Mall".



Ross Park Mall (Ross Township)

Location: McKnight Rd and Old McKnight Rd

Distance/Access: 12-minute drive (via I-279); 6.59 miles ("as the crow flies")

Owner: Simon Property Group

Size: 1.02 million square-feet, on two levels

Anchor: Sears, JCPenney, Macy's, Nordstrom (coming), Cheesecake Factory

Junior Anchor: Stickley, Audi & Co., Macy's Furniture Gallery, H&M, XXI, Old Navy,

Up-market Chains: Stickley, Audi & Co., Bailey Banks & Biddle, Coach, Ann Taylor, Talbots/Petite/Woman/Kids, Cache, J. Crew, Banana Republic, Chico's/Soma, Coldwater Creek, j. Jill, Jos A. Bank Clothiers, Nine West, Pottery Barn, Williams-Sonoma, Brookstone, Papyrus, Swarovski Crystal, Sephora, Godiva Chocolatier, Nordstrom (coming), Tiffany & Co. (coming), Burberry (coming), Louis Vuitton (coming), Michael Kors (coming), True Religion (coming), BCBG Max Azria (coming), L.L. Bean (coming), White House/Black Market (coming), Bare Escentuals (coming)

Parking: Surface, free

Retailers who have struggled to find space at Ross Park Mall and in the McKnight Road corridor could soon have another alternative in **McCandless Town Center**, a 135-acre project on both sides of McKnight Road between Cumberland Road and Babcock Boulevard in McCandless Township, just a few minutes north of Ross Park.

There, Selma, N.C.-based AdVenture Development is in the process of developing a plan for a mixed-use project that would contain more than 400,000 sq.ft. of retail space, likely to include a movie mega-plex, a specialty grocer as well as a big-box home improvement store or furniture center.

However, it is at this point unclear how much of that square-footage will be available to up-market destination retailers. The initial plans called for a "Town Square" portion with 16,000 sq.ft. of retail space that would flank a narrow lawn in the development's center.⁴³ At best, then, the project would accommodate a handful of such stores.

Butler County

The State Road 228 corridor in fast-growing Butler County, buoyed by Westinghouse Electric Co.'s 2007 decision to locate its corporate

⁴³ The only other possibility for destination retail would be if the "specialty" grocer were in fact a Whole Foods.

headquarters on a site near State Road's 228's intersection with I-79, has emerged as one of the region's most dynamic retail sub-markets.

The corridor's most high-profile project is **Cranberry Town Center**, which Simon Property Group has been planning since the early 2000's for a 75-acre site at the intersection of State Road 228 and U.S. 19, just west of the I-79 interchange. The mixed-use development would contain 885,000 sq.ft. of retail space, with Simon seemingly envisioning a Waterfront-like mix that includes a faux "Main Street" as well as big-box stores.

As the only major shopping destination in the region (besides Downtown) that would have access to two interstate highways (I-79 as well as the nearby Pennsylvania Turnpike), Cranberry Town Center could make a compelling case to "one-per-market" brands. Simon, however, would seem to have an interest in differentiating the mix from and concentrating the luxury brands at Ross Park, 11.4 miles to the south.



Also the owner of Ross Park Mall to the south, Simon Property Group would seem to have an interest in ensuring that Cranberry Town Center does *not* compete in the area of up-market retail.

However, other developers would not share the same concern. For example, for the 200,000 sq.ft. of retail space planned at **The Village at Cranberry Woods**, Cranberry, PA-based Creative Real Estate Development's mixed-use project at State Road 228 and Franklin Road, the leasing agent sees the opportunity for a "SouthSide Works-type mix of shopping and dining amenities", with a particular need for home furnishings.⁴⁴

⁴⁴ Says Herky Pollock, national retail director for the Pittsburgh office of CB Richard Ellis, as quoted in an April 25, 2008 *Pittsburgh Business Times* article by Tim Schooley, entitled "New retail-residential-hotel mix planned north of Pittsburgh in Cranberry".

One has to wonder, however, whether the State Road 228 corridor is simply too far removed from Downtown (roughly 17.5 miles away), and from the region's other bases of affluence in the East End and South Hills, to have much of a competitive impact. Indeed, many of the up-market chains that have opened there already operate stores closer to the Golden Triangle, for example, at Ross Park Mall.



The up-market brands that have opened at "The Streets at Cranberry" lifestyle center in Butler County already operate stores closer to Downtown, in the Ross Park Mall.

Outlying Boutique Destinations

Upscale boutiques have clustered on Allegheny River Boulevard in the quaint suburb of **Oakmont**, on the southern banks of the Allegheny River. In keeping with the prestige of the borough's famous Oakmont Country Club, these retailers tend to feature the highest of the high-end, drawing from not just the East End and nearby suburbs such as Fox Chapel but also, with the proximity to the Pennsylvania Turnpike, from affluent communities in the North Hills.



Allegheny River Boulevard (Oakmont)

Distance/Access: 24-min drive (via State Route 28); 9.65 miles ("as the crow flies")

Up-market Chains: None

Up-market Boutiques: Mia Boutique, Carabella, Catherina, Traditions of Oakmont, Lucy, etc.

Parking: Free on-street parking

Another concentration of upscale boutiques can be found on the northern banks of the Ohio River, on Beaver Street in **Sewickley Village**, which sits

within reach of well-off communities in the North Hills and, with its proximity to I-79, the fast-growing exurbs of Butler County and the pockets of affluence in the West Hills.

Sewickley Village is in the process of transition, with older businesses giving way to new arrivals, like Orr's Jewelers and Original Cin. And while many of its stores would not be considered fashion-forward, a few (e.g. perfect. and Original Cin, which is relocating from East Carson Street) cater to a younger, more trend-conscious shopper.



Beaver Street (Sewickley Village)

Distance/Access: 26-minute drive (via I-279/I-79/State Route 65); 11.83 miles ("as the crow flies")

Up-market Chains: Talbots, Chico's

Up-market Boutiques: Bailey & Bailey, perfect., Orr Jewelers, Original Cin (coming soon); etc.

Parking: Metered on-street parking; two metered off-street lots

Up-market Destination Retail: Site-Specific Factors

Why has Simon Property Group been able to sign retailers at Ross Park Mall that, based on centrality and access, should be in Downtown? Put simply, because they have larger modern spaces to offer, control the co-tenancies and public realm, provide easy and free parking, and can "buy" loss-leading anchors.

How does the Golden Triangle fare in these respects?

Available Space

At present, the strongest location for up-market destination retail is Smithfield Street, specifically the four-block stretch from Forbes to Strawberry Way. That is where one finds Saks Fifth Avenue, Brooks Brothers, Jos A. Bank Clothiers, Canadian Fur Co. and Carl W. Hermann Furs, as well as a relatively pleasant public realm that includes an open space (Mellon Square) as well as the iconic William Penn Hotel.

But available space is limited on this stretch of Smithfield: except for the Mellon Bank Building (see discussion below), there are no vacancies, and the few underutilized spaces (e.g. AAA, Port Authority Service Center, etc.) are small and shallow. The lone exception, although not on Smithfield itself, is a potential 5,000+ sq.ft. floor-plate at the southeast corner of William Penn and Oliver, in the Union Trust Building.



There is the potential for a 5,000+ sq.ft. space in the Union Trust Building, on the southeast corner of William Penn and Oliver, across from the Omni William Penn and Mellon Square, one short block from Saks Fifth Avenue.

However, with the big-splash projects on Fifth Avenue, up-market destination retailers now might be willing to take a fresh look at that corridor, especially the block closest to Smithfield, which includes a 20,000 sq.ft. floor-plate on the ground floor of Piatt Place that could be expanded to include multiple floors.

Re-tenanting of the Mellon Bank Building (former Lord & Taylor), at the pivot of Fifth Avenue and Smithfield, would serve to accelerate the process on Fifth, yet while it offers a large chunk of space -- 150,000 sq.ft. on three tiers -- the owner, Pittsburgh, PA-based J.J. Gumberg & Co., has failed to land a retailer in the 3.5 years since purchasing the building, and is also considering the structure for other uses.



Nothing in 3.5 years

Another key site in the Fifth Avenue corridor is the southeast corner of Fifth Avenue and Wood. A parcel including this property, the adjacent Lerner Building as well as a number of structures along Wood could yield a floor-plate as large as 24,000 sq.ft. However, the owner of the corner piece is only interested in getting an exorbitant price, which, one assumes, would ruin the site's economics for the buyer. And even if site control was obtained, loading could be an issue for larger-format stores.



An argument against *Kelo v. New London*

A block west on Fifth Avenue, Millcraft Industries' "Market Square Place" development will include 26,000 sq.ft. of ground-floor space, and the Pittsburgh History & Landmarks Foundation's "Market at Fifth" project will be able to offer a combined 6,500 sq.ft. floor-plate. These locations, however, are further removed from the Smithfield Street spine, and might prove more desirable to food/drink concepts.

Meanwhile, Millcraft Industries' "The Gardens" project, on the south side of Forbes between Market Square and Wood, would also include a significant amount of retail space, but while the energy building at Market Square could ultimately spread eastward along Forbes, that corridor has at this point very little appeal for up-market destination retailers, and in any event lacks the visibility that they would want.

As for One Oxford Centre and Fifth Avenue Place, the era of the downtown-mall-below-office-tower has passed, with that retail model looking increasingly tired, even at still well-tenanted centers like One Oxford, and with destination retailers, especially ones catering to a younger shopper, tending to prefer storefront locations.

Boutiques are not easy to site in the Golden Triangle, given the high rents generated by the large amount of daytime foot traffic. Indeed, even on the relatively hidden Penn Avenue, Rugby Realty is charging in the low to mid \$20's/sq.ft. for the spaces that it controls in the 900 block, a range that cannot be sustained by most such operators.

Meanwhile, the Pittsburgh Cultural Trust's "RiverParc" project, between Penn and the Allegheny River and between Seventh Street and Ninth Street, was envisioned to include a boutique-filled corridor along Eighth Street, but it has been placed on indefinite hold, and the development partnership, with Washington, D.C.-based Concord Eastridge, has disbanded.

However, Upper Liberty, the stretch roughly between Eighth Street and Tenth Street, can offer higher-visibility spaces (which helps in fueling on-line sales) at more affordable prices (i.e. in the mid-teens per sq.ft.), while still being able to tap the Cultural District's narrative and brand. Furthermore, if others join the pioneering Chick, it has the potential to market itself as Downtown's emerging boutique cluster.

In sum, then, the Golden Triangle can provide larger floor-plates at Piatt Place and the Mellon Bank Building, as well as possibilities for boutiques on Upper Liberty, but other than sub-divided space at Piatt Place, it has, in contrast to the 65,000 sq.ft. lifestyle addition at Ross Park, little to offer *at the moment* that would appeal to smaller-format up-market brands.

Retail Continuity

Unlike a typical enclosed mall, the Golden Triangle serves multiple purposes, with office space, theater halls, parking decks and other uses intervening at the ground level to disrupt retail continuity and flow. To some extent this is

unavoidable, a function of history, but even today, the public sector manages to aggravate the problem still further.

For example, City planners approved the decision by the developers of Three PNC Plaza *not* to include storefronts in that project's ground floor, leaving an entire block of Fifth Avenue single-loaded, adding to the challenge of tenanting new space across the street, and setting a non-retail tone for the corridor at that image-making gateway.

Public Realm

"If anything gives Downtown a black eye, frankly, it's a lot of our rundown areas or stuff that is just behind the times," says David Glickman, vice president of the Retail Group for Grubb & Ellis and a prominent local broker. "You walk down Fifth and Forbes, they're not attractive. They're not pleasant places to shop."⁴⁵

Again, this does not just affect shoppers, but also, tenants. Large chains are accustomed to thoroughly-upscale centers where their neighbors include others with a similar sensibility and demographic draw, where they can rely on the cross-traffic and cachet thus generated, and where they know that the owner will not deviate from such positioning and that their hard-earned brand equity will not be put in jeopardy.

With this being the case, it is difficult to sell a location to such operators with wig shops and gold-teeth purveyors on the other side of the street. And if they are going to commit to a vision of where a corridor is *headed* (as opposed to where it *is*), they would need to have more reason to be confident that other property owners and stakeholders will follow.

Partly this is a matter of improving cosmetics (e.g. facades, signage) and filling vacancies. But there is also, it must be said, an element of class and ethnicity. The lower-income African-American demographic is the most visible one on Fifth Avenue, and its presence dictates certain types of stores. This sort of street traffic and retail mix is at odds with what many up-market destination retailers would want to see.

Of course, this same demographic can be found at Ross Park Mall or on high-end shopping streets across the country, but the difference is that in those cases, their presence is diluted, and their percentage of the overall

⁴⁵ As quoted in a March 17, 2008 *Pittsburgh Post-Gazette* piece by Mark Belko entitled "For 3 years, Lord & Taylor sits vacant - Downtown's Mellon Bank building a tough sell"

foot traffic has not reached that all-important "tipping point", which it clearly has on Fifth Avenue.



A related issue is the bus stops along Fifth Avenue. As a result of heavy usage, storefronts are often obscured and pedestrian movement impeded by long and dense lines of riders waiting for the next one to arrive. This condition is particularly severe on the southwest corners of Fifth Avenue and Smithfield, and Fifth Avenue and Wood.

Not only is such compromised visibility and access a concern to prospective tenants, but also, in their minds, it sends the signal that the Port Authority of Allegheny County (in contrast to, say, a mall owner like Simon Property Group) is insensitive to the needs of up-market retailers in Downtown.

Class and ethnicity are beneath the surface here as well, influencing, for instance, the comfort levels of pedestrians trying to negotiate such crowded sidewalks. And the larger issue, of course, is that the heavy bus rider-ship along Fifth Avenue is a chief driver of the aforementioned street traffic and retail mix.

Parking

Downtown's ability to draw up-market destination shoppers is impacted by the availability and cost of parking, since a significant percentage would be arriving by car.

Such motorists are accustomed to free and ample parking at suburban malls like Ross Park, and while they should not have too much difficulty finding a space at a deck or garage in the Golden Triangle on the weekends -- Pittsburgh Parking Authority facilities in Downtown were at just 38% capacity at 9:15 a.m. on "Black Friday"⁴⁶ -- they will have to pay the standard \$5 for a two-hour stay or more.

⁴⁶ According to a November 23, 2007 *Pittsburgh Tribune-Review* article by Adam Brandolph, entitled "Downtown takes a free shot at shoppers". "Black Friday" is the Friday after Thanksgiving, considered the busiest shopping day of the year.



Shoppers accustomed to free parking at the suburban mall currently have to pay \$5 for the privilege in Downtown.

Furthermore, with notable exceptions such as Larrimor's (\$5 off at the Mellon Square Garage) and The Shops at One Oxford Centre (\$3 off at its on-site garage), most of the up-market destination retailers in Downtown -- including even Saks Fifth Avenue and Macy's -- do *not* offer parking validation. This is highly unusual, especially with the department stores: in comparison, the Neiman Marcus in downtown Dallas not only provides validation, but valet service as well.

Up-market Destination Retailers in Downtown (sample)

Do they offer parking validation?

Saks Fifth Avenue - No

Macy's - No

Brooks Brothers - No

Jos A. Bank Clothiers - No

Canadian Furrier Co. - No

Carl Hermann Furs - No

Larrimor's - Yes, \$5 off at Mellon Square Garage

The Shops at One Oxford Centre - Yes, \$3 off at on-site garage

In paying for parking, the higher-income shopper can no doubt afford the outlay, but the charge is experienced in the form of an insult, especially given that a significant fraction of the overall amount is attributable to the municipality's parking tax. And the larger issue, of course, is the message that this sends to prospective tenants, of a public sector not serious about promoting retail in the Golden Triangle.

After a tense showdown last year, the City is on track again with State-mandated reductions in the parking levy, and in December 2007, the Authority agreed to cut rates for the 2008 year. However, its main competitor, the privately-owned Alco Parking Corporation, did not match

those decreases, and some smaller lots have even raised prices this year⁴⁷, claiming that the after-tax intake was insufficient to cover costs.

The Developer

Finally, the Golden Triangle cannot so easily "buy" anchors. As discussed earlier, an owner of a large shopping center has an incentive and the wherewithal to spend on a "loss-leader", because it will reap the benefits with the higher-rent tenants that follow; on the other hand, the small-scale developer with just one or two downtown properties could not justify such a move.

Furthermore, property owners in the Golden Triangle do not necessarily specialize in retail, and as mentioned before, they do not have the credibility, connections or clout of a Simon Property Group. Also, they may be relying on a broker that represents several centers across the region and, incentivized by a commission-based system to the "lowest-hanging" fruit, might not be willing to devote the time and energy needed to sell the opportunity in Downtown.

⁴⁷ According to a June 21, 2008 *Pittsburgh Post-Gazette* piece by Rich Lord entitled "Downtown parking prices go up despite tax cuts".

Up-market Destination Retail: Trade Area Profile

"Trade area" can be defined as the area from which a given business district is likely to draw the majority of its retail sales.

Trade area boundaries are determined by a variety of factors, including location and draw of major competitors, regional access, etc. Rather than drawing a ring based on mileage, the methodology utilized here arrives at an irregularly-shaped polygon based on **drive-time**.

More specifically, MJB Consulting determined the drive-time from the Golden Triangle to each of the major competitors, and then, aided by extensive touring in all directions, estimated the point at which residents in the various parts of town would be more likely, for destination shopping, to head Downtown rather than outwards (e.g. to the Waterfront, to Ross Park Mall, etc.).

Demographic Summary of Primary Trade Area

- Estimated population of 122,146 but declining precipitously
- 64.7% white, 29.7% black
- Large number of 18- to 34-year-olds, as well as much older residents
- Transients *and* long-timers
- High unemployment rate
- Low levels of educational attainment (despite students)
- Low (but not especially low) median household income of \$30,567
- 33.4% of households do not own an automobile

According to reports ordered from Claritas Inc.⁴⁸, the population of the Golden Triangle's primary trade area is estimated at 122,146 in 2008, which represents 10.1% of the total population of Allegheny County.

The trade area population has been declining precipitously. It has decreased by 8.24% in the 1990's, and has dropped by another 7.65% (9.56% on a per-decade basis) since 2000, for a loss of 15.26% since 1990. Furthermore, it is projected to fall by another 5.30% (11.60% on a per-decade basis) in the next five years.

In terms of ethnic distribution, nearly two-thirds of the trade area (64.7%) is white, but there is a much higher percentage of African-American residents (29.7%) than in the County as a whole (13.3%). This partly explains the

⁴⁸ Claritas Inc. is one of the nation's leading data-mining companies. It is the source for all of the data referenced in this chapter.

considerable number of "culture-specific" retailers in the Golden Triangle, and makes a compelling case for keeping that niche there.

The inclusion of the South Side Flats and a large part of Oakland in the trade area explain the disproportionate number of young people aged 18 to 34 (31.0% versus 19.6% countywide), the relatively high percentage that has never been married (43.8% versus 28.7%) and smaller fraction of family households (48% versus 62%). Given these figures, the pulsating nightlife on East Carson Street comes as no surprise.

Even so, the median age is still 36.08 -- much lower than the County's 41.99, but still higher than one would expect given the high percentage of students and 20-somethings, suggesting that the rest of the trade area includes large numbers of older residents.

It is also interesting that, even with all of the students and 20-somethings, almost half of the housing (48.2%) is owner-occupied, and trade area residents have lived in their current homes for an average of twelve years, just one year shy of the thirteen for the county as a whole.

The conclusion here is that the rest of the trade area includes large numbers of households that have lived in their current homes and neighborhoods for a very long time, and that, as owners of properties in low demand (except in gentrifying neighborhoods like the South Side Flats), are unlikely to leave anytime soon.

This high percentage of long-time residents is perhaps one of the reasons for the time-worn look of various Downtown businesses, although it is also to some extent a function of population decline: that is, the number would be lower if more people were moving in.

These long-time residents are challenged to find work and do not have the schooling needed to take advantage of the region's new "med's-and-ed's" economy. The unemployment rate of 7.2% is almost double the County's 3.7%, and despite the presence of so many students, 56.26% of trade area residents never went beyond high school, versus 47.52% county-wide.

Having said that, the median household income, estimated at \$30,567 in 2008, is, while a good 32% less than the \$45,127 for the County, not as low as it could be, especially considering the sizeable number of student households, which tend to drag such averages downward. The average is \$42,498, versus \$62,621.

In sum, then, the demographics suggest a trade area with two entirely different population segments: one, the student and other younger households, in the South Side Flats and Oakland, and two, the older, poorly-educated, long-time contingent, with weak job prospects and relatively (though not especially) low incomes.

Finally, roughly one-third of trade area households (33.4%) -- do not own an automobile, more than double that for the county as a whole (15.9%). Such consumers are entirely dependent on transit (or foot) for destination shopping, and therefore likely to use the Golden Triangle for that purpose.

These figures confirm the importance of transit routes and stops for many of Downtown's destination retailers, and illustrate the need for the retail mix to cater to close-in neighborhoods.

Psycho-graphics

Psycho-graphics sheds light on consumer lifestyles, sensibilities and aspirations, as deduced from buying habits, leisure activities and media preferences. It has become increasingly popular among retailers in recent years as a site selection tool, and therefore, an important part of market analysis.

The nation's major data-mining companies have each developed their own psycho-graphic schemes, which divide the U.S. population into roughly sixty different "clusters" or "segments". One can then order a profile for a given trade area that shows the distribution of its households among the various clusters.

The following briefly summarizes the three most prevalent segments in the trade area, according to Claritas Inc.'s "PRIZM NE" scheme. These descriptions focus on the respective cluster's basic demographics, as well as its buying habits with regard to destination shopping and dining.

City Roots (20.54% of trade area households). This cluster consists of poorly-educated, lower-income African-American retirees, 65 or older, who are living on social security, with their health expenses covered by Medicare/Medicaid. Their median household income is \$27,396. Many are widowed and living alone, in homes that they purchased long ago.

City Roots households are generally frugal, and except for a monthly meal at a low-priced steakhouse, they tend not to patronize sit-down restaurants. However, they will spend money on certain luxuries that would seem out of reach, with shopping trips, for example, to Saks Fifth Avenue.

Multi-Culti Mosaic (16.82%). This segment is comprised of stable, working-class, home-owning African-American families. Although poorly-educated, they have found decent-paying work in the service industry, with a median household income of \$34,652.

This cluster is primarily focused on the raising of children, and its consumer expenditures are geared towards the kids. Households will spend on baby furniture, clothes and sneakers, shop at The Disney Store and eat at Chuck E Cheese. For themselves, the adults will (still) buy CD's, purchase name-brand sneakers/shoes and patronize discount fashion retailers like Marshalls.

Urban Achievers (12.52%). This cluster consists of younger, 18- to 34-year old, ethnically-diverse singles living alone or couples just starting families. A number are students still in college; others work in decent-paying service jobs, with a median household income of \$34,696. Transients who typically rent, they tend to have lived in their current residence for less than half a decade, with many having arrived in the last year.

Those in Urban Achievers will dine at a wide range of sit-down restaurants, including expensive steakhouses (Ruth's Chris), brick-oven pizzerias, and family-oriented establishments (Chuck E Cheese), and also gravitate to fast-casual eateries (Au Bon Pain, Chipotle's Mexican Grill).

Avid fans of music, they (still) purchase CD's but also, technological gadgets like iPod's and MP3 players. In terms of fashion, they will buy trendy brands like Banana Republic and Puma, and will also shop at the Gap. And they will purchase boxes of Godiva chocolates.

In addition to patronizing dance clubs and live-music venues, they will watch films at art-house cinemas. Indeed, their tastes tend towards the intellectual and sophisticated: they watch television channels like Sundance and IFC, listen to National Public Radio and read The New York Times.

Saks Fifth Avenue Trade Area

Given the role that Saks Fifth Avenue plays as an anchor in Downtown, and its ability to draw from beyond the above trade area and pull shoppers from more affluent communities further afield, MJB Consulting also aggregated the demographics for the zip codes within the region which yield the highest sales for the luxury department store. One can argue that the resulting trade-area profile is the more relevant one for an up-market retailer contemplating a location in the Golden Triangle.

| | Primary | Up-market |
|--|----------|-----------|
| Population | 122,146 | 383,374 |
| Median Household Income | \$30,567 | \$52,963 |
| Average Household Income | \$42,948 | \$80,085 |
| Owner-Occupancy | 48.18% | 67.49% |
| Median Owner-Occupied Home Value | \$69,835 | \$152,393 |
| Median Age | 36.08 | 41.08 |
| Percentage of Married-Couple Families | 28.04% | 50.55% |
| Unemployment Rate | 7.18% | 3.73% |
| Percentage with B.A.'s or More | 21.22% | 42.23% |
| Percentage in White-Collar Professions | 61.81% | 74.87% |
| Percentage of Households with Cars | 66.62% | 85.47% |

According to reports ordered from Claritas Inc.⁴⁹, the population of this up-market trade area is estimated at 383,374 in 2008.

Compared to the primary trade area, the median and average household incomes in the up-market one are, at \$52,963 and \$80,085, significantly higher. Furthermore, a far greater percentage of residents can also tap the equity that they have in their homes, with a far greater share of the housing stock, 67.49%, owner-occupied, and the median owner-occupied home value of \$152,393 more than double.

The higher income and ownership levels are partly a function of age and life-stage -- residents of the up-market trade area are older, with a median age of 41.05, and more likely to be married and co-habiting, with married-couple families accounting for 50.55% of all households -- but also, job profile: not only is the unemployment rate lower (3.73%), a greater percentage have B.A. degrees or more (42.23%) and work in white-collar jobs (74.87%).

Finally, the overwhelming majority of households in the up-market trade area, 85.47%, have cars, simplifying access to/from Downtown (and underscoring the importance of issues like parking) but also meaning they can more easily reach competing alternatives.

⁴⁹ Claritas Inc. is one of the nation's leading data-mining companies. It is the source for all of the data referenced in this chapter.

Up-market Destination Retail - Recommendations

The following details opportunities for attracting different types of up-market retailers to the Golden Triangle. Keep in mind, however, that most of these operators would have little interest in Downtown if the Saks Fifth Avenue store were to leave upon expiration of its lease; for this reason, the retention of that key anchor must be the first priority in any such efforts.

Tenancing: Boutiques

An appropriate direction for up-market retail in the Golden Triangle is boutiques. Such tenants can be especially beneficial because they help to differentiate Downtown as a shopping destination.

Boutiques are a kind of "one-per-market" retailer, although for most of them, their need for low rents (e.g. in the teens per sq-ft) means that, unlike, say, Nordstrom, they cannot always be so fussy in their site selection: they might want to be in the Ross Park Mall or on Walnut Street, but they are forced instead to consider lower-priced alternatives like Ellsworth Street, Washington Road or Butler Street.

Many such independents prefer business districts with a high-end yet friendly and approachable feel, situated within well-established, affluent communities, like Shadyside's Ellsworth Street.

"I always thought Oakmont was quite quaint and rather special and that's why I chose it. It's that whole small-town feeling, and there's not a lot of that around."

- Catherine Ferris, owner of **Catherina**, on Oakmont's Allegheny River Boulevard

But other boutique-owners will respond to a compelling narrative about where an area is headed (as opposed to where it *is*), and will gravitate to emerging neighborhoods and streets that, while still very much in transition, appear to be moving in an upward direction, like Lawrenceville's Butler Street.



Some entrepreneurs long to be a part of something growing; they enjoy the camaraderie that develops when a bunch of start-ups work together to build anew. Of course, this might also help in rationalizing a sub-optimal location; that is, would those same merchants decamp to the mall or more established boutique corridor if rent were not an issue? Yet, even if they would do so at first, many ultimately embrace their "sub-optimal" streets and would never think of making such a move.

Downtown can tell such a story. Also, it offers higher levels of foot traffic, greater visibility and a more central location than any of the other alternatives in the region.

As for where boutiques would make the most sense, the ground-floor rents in many corridors in the Golden Triangle are at a point that most independents simply cannot sustain, but "Upper Liberty", i.e. the stretch of Liberty between Eighth Street and Tenth Street, is priced more affordably. In addition, it can tap the Cultural District's narrative and brand and draw on the presence of the pioneering Chick in marketing itself as Downtown's emerging boutique cluster.

Upper Liberty is also just 1.5 blocks from the northernmost of Smithfield's row of up-market destination retailers. The connectivity is weak because the tenant mix changes so dramatically in those 1.5 blocks, yet while certain local icons there, like Smithfield Café, should be protected, other spaces might be re-tenanted upon lease-expiration, also with up-market boutiques, so as to better establish this link.

In certain respects, Upper Liberty might not seem like an ideal location for this sort of retail, but the corridor does offer relatively high visibility and foot traffic. Boutiques are risky endeavors, and while such entrepreneurs can sometimes thrive on a sleepy street with strong "word-of-mouth", a lack of pass-by would only add to the list of challenges that they must overcome, and further diminish their odds of success.

And while the Cultural District has already been earmarked (above) for additional nightspots and restaurants, boutiques could not only co-exist with such uses on Upper Liberty (where the rents remain sufficiently affordable), but also, it is hoped, take advantage of the stretch's visibility to these night-lifers and diners, who might then return in the future, during the day, to shop there.

Indeed, the high visibility of Upper Liberty, as a major Downtown thoroughfare and with its proximity to wider draws like the Cultural District theaters, the Convention Center and the emerging dining/nightlife scene in that part of town, means that a clutch of boutiques there could have a disproportionately positive impact on the Golden Triangle's brand image throughout the region and beyond.

One other possibility for up-market boutiques in the Golden Triangle is Forbes Avenue, between Market Square and Smithfield, although the potential of this still-sleepy stretch is perhaps longer-term, once/if the energy of Market Square starts to spread eastward, "The Gardens" project is developed, the street's profile rises and its levels of foot traffic increase, etc.

The more immediate opportunity here, and on the nearby stretches of Wood and Smithfield, is for boutiques geared towards a younger, more budget-conscious shopper, including students and twenty-something cubicle dwellers (see the above section on "Student-Driven Retail") as well as lower-income African-Americans.

In trying to "target" particular streets for this sort of retail, it is important to keep in mind that whatever makes the most sense as a location, boutique owners are not always so systematic in their real-estate thinking: aside from looking for low rents, they rely heavily on intuition. And if they are successful in developing a buzz, their mistakes do not necessarily come back to haunt them, since shoppers will travel to their store regardless of where it is.

The kinds of concepts most likely to be successful on Upper Liberty, on the other hand, are the ones that focus on a relatively high-paid, style-conscious shopper, the sort that might already be buying at Chick, patronizing the growing number of more mature nightspots in the Cultural District, working in the nearby office buildings, etc.

In order to maximize chances of success, such operators should endeavor to generate buzz via conventional advertising, joint marketing (e.g. fashion shows), guerilla marketing, "word-of-mouth" endorsements, etc., as well as embrace the online channel. Chick has employed a number of these tactics,

with, for example, its billboards along major automobile routes and its highly effective website.



Chick Downtown's high-visibility storefront on Liberty Avenue has helped to fuel on-line sales.

Of course, most boutiques, unlike Chick, have to pay rent, and cannot necessarily afford the expense of billboards or other marketing efforts. Given the role that they could play in creating a distinctive shopping destination, PDP should, in collaboration with its foundation partners, develop a fund for providing assistance, for example, with build-out, inventory and working capital, as well as bankrolling advertising campaigns and web consultants.

One other possible location for boutiques, albeit ones geared towards a younger, more budget-conscious student or twenty-something, is the stretches of Wood and Smithfield south of Forbes, where they would fit with the emerging "college-town" neighborhood to the south (see Chapter 4 above), as well as the mid-market brands envisioned to the north.

Finally, note that in prospecting for possible operators, they do not only include start-up entrepreneurs, but also, existing merchants who may be interested in a second location (or decamping from their first). They can be identified by canvassing other boutique shopping streets in the region, as well as ones in nearby cities (e.g. Cleveland, Harrisburg).

Tenanting: Up-market Box Stores

Although not thought of as upscale, certain large-format, discount-oriented box stores enjoy immense popularity among affluent shoppers. A prime example is Target, a discount department store that has managed to brand itself as a hip destination for stylish apparel and house-wares ("Tar-zhay")

by employing clever marketing/advertising tactics and offering exclusive lines by celebrity designers.



Exclusive lines by celebrity designers like Isaac Mizrahi have helped to earn Target the nickname "Tar-zhay" in more affluent circles.

Wealthy shoppers are also drawn to certain "off-price" fashion retailers, where they can take pleasure in finding bargains on designer labels for which they would otherwise have to pay full-price at mall department stores. These include T.J. Maxx, Filene's Basement, Stein Mart, DSW Shoe Warehouse and Nordstrom Rack.

Finally, the trend-conscious within this demographic will also patronize the so-called "cheap-chic" purveyors, which peddle of-the-moment fashions, usually runway and designer knockoffs, at inexpensive prices. The best-known example is H&M.

From a larger perspective, these sorts of tenants are ideal for downtowns like Pittsburgh's because their appeal cuts across cultural and socio-economic lines, enhancing the Golden Triangle's image among opinion-makers and potential tenants/investors while at the same time remaining affordable to lower-income households.

One of the challenges, of course, is that these brands require large floor-plates. Most need roughly 20,000 to 40,000 sq.ft. on a single floor, as well as low per-sq-ft rents. (A Target store is considerably larger, at 100,000+ sq.ft., although it could be multi-level. H&M, on the other hand, might prefer something smaller, between 10,000 and 20,000 sq.ft.). However, space of this scale does exist, at Piatt Place and the Mellon Bank Building.

The larger issue, however, is that five of the six up-market box brands already in the Pittsburgh market have stores at Waterfront at Homestead (Target, T.J. Maxx, Filene's Basement, DSW Shoe Warehouse) or at SouthSide Works (H&M), which might effectively cover the higher-income market to the south and east of the Golden Triangle; T.J. Maxx can also be found at WaterWorks; and at least one (Target) is working on an additional location in East Liberty, which can also pull from the northeast and weaken the argument for a Downtown branch.

Other Locations of Up-market Box Stores in Pittsburgh Metro

Target: Waterfront at Homestead, West Mifflin, North Fayette, Mt. Nebo, Ross, Harmar

T.J. Maxx: Waterfront at Homestead, Robinson, WaterWorks

Filene's Basement: Waterfront at Homestead

Stein Mart: Ross

DSW Shoe Warehouse: Waterfront at Homestead, West Mifflin, Robinson, Monroeville

H&M: SouthSide Works, Robinson, Ross

Such brands might therefore feel that, after removing the trade areas for these locations, income levels within the primary trade area that remains for Downtown would be simply too low, especially when the most desirable pocket, in the South Side Flats, can already shop at the Target, T.J. Maxx, Filene's Basement and DSW Shoe Warehouse stores at The Waterfront at Homestead and the H&M at SouthSide Works.

Of course, the presence of Saks Fifth Avenue could enable the Downtown locations of such brands to capture "impulse" shoppers from beyond the primary trade area. This opportunity might seem particularly intriguing to chains like Filene's Basement and Stein Mart that currently have just one location in the metro and struggle to draw from other far-flung parts of the region.



Stein Mart, with just one location in the Pittsburgh market at WaterWorks Mall, is challenged to attract shoppers from other, farther-flung parts of the region like, say, the South Hills. But with a Downtown location, it might be able to capture "impulse" shoppers drawn to the Golden Triangle by the presence of the Saks Fifth Avenue store.

Such logic makes even more sense if an up-market box brand has an existing location (at, say, The Waterfront at Homestead) enjoying such extraordinarily high sales that it can justify the opening of another nearby store within the same trade area, so as to relieve pressure on the first one. Again, this sort of opportunity is more likely to appeal to chains with just a single unit in the metro, because it is forced to handle the demand from beyond its immediate trade area.



Target is working on a possible location in East Liberty, even though the trade area would seem to overlap with the one for the branch at The Waterfront at Homestead. Perhaps this is because the Waterfront store has been very successful, and the chain is looking to relieve some of the pressure on it by building another unit that will divert traffic from, for example, Shadyside.

With these up-market box brands, however, the continued presence of Saks Fifth Avenue will be a critical factor; without that anchor, they could lose whatever interest they currently have in a Golden Triangle location. Indeed, amidst all of the uncertainty surrounding whether Saks renews its lease, these chains might prefer to wait until a final decision is made.

Finally, it is worth noting that second-tier downtowns elsewhere across the country have struggled to attract up-market box brands, even with high-end department stores as anchors. For example, Cincinnati's, which also boasts a Saks Fifth Avenue (in addition to a Macy's) can only point to a T.J. Maxx, while the central business district in Dallas, with a Neiman Marcus anchor, does not even have that.

Of these upscale box brands, T.J. Maxx has been the most willing to open in second-tier downtowns, with stores, for example, in Cincinnati and Milwaukee, but it already has locations in Pittsburgh, at both The Waterfront at Homestead and WaterWorks. And the others have for the most part stuck to downtowns with large numbers of affluent households nearby, like New York, Boston and Philadelphia.

Having said that, further research would need to be undertaken in order to know what was done by the public, non-profit and/or philanthropic sectors in those other second-tier downtowns (if anything) to try to attract them, as

even such discount-oriented stores can require non-conventional financing, visionary and resolute developers, "third-party" champions like the PDP, etc. (see inset box).⁵⁰



Even the Box Stores Do Not Come Easy: T.J. Maxx in Cincinnati

T.J. Maxx was interested in opening a two-story, 37,000 sq.ft. store on a site occupied by two vacant historic buildings. Given, however, the strength of the preservationist community, demolition was not an option; the development team would have to work with existing structures. Local banks were hesitant to provide a loan, because T.J. Maxx, like Lord & Taylor and Lazarus in Downtown Pittsburgh, insisted on a lease that it could exit after five years if sales did not reach the certain threshold. Furthermore, renovation costs were higher than expected, at roughly \$3 million. It would have been far easier to just fill the space with more fast-food purveyors, but the property owners believed in downtown and continued to push. With the City unable to provide much in the way of financial incentives, they turned to the Cincinnati Equity Fund, a \$46.9 million capital pool formed by local corporate giants (e.g. Proctor & Gamble, Cinergy, Western-Southern Life Insurance, etc.) to invest in high-risk downtown projects. But even with a \$2 million loan from the fund, the project would have collapsed without the leadership of Downtown Cincinnati, Inc. (DCI). The non-profit advocacy group organized an 11th-hour meeting to save the deal, with the owners of adjacent malls lowering the rent for the use of loading docks and pedestrian connectors, the broker reducing his commission, and the City agreeing to \$261,000 in Skywalk improvements. The numbers finally worked, and the store opened in 1999.

Tenanting: "Ubiquitous" and "In-Betweeners" Chains

Another category consists of larger national chains that have already blanketed the region's major sub-markets. They cover the East End (and nearby high-income suburbs) with a store on Walnut Street, the South Hills with a location in either South Hills Village or the Galleria, and the North Hills

⁵⁰ According to MJB Consulting's 2003 retail strategy for Downtown Cleveland, undertaken on behalf of the Downtown Cleveland Partnership (now, the Downtown Cleveland Alliance).

with a Ross Park address. Examples include Banana Republic, Talbots, Chico's, Cache and White House/Black Market (owned by Chico's).

By virtue of their ubiquity, these brands have become commodities that consumers shop on the basis of convenience, rather than region-wide destinations that they will travel great distances to reach. In other words, no one is going to drive across town for a Banana Republic -- especially in Pittsburgh -- if they can find one at their local mall.

At first blush, then, such chains would not seem to be ideal candidates for the Golden Triangle. When they analyze the opportunity, they remove all of the areas that are already served by their existing stores -- the East End, the South Hills, the North Hills, etc. -- and are left with a collection of mostly lower-income neighborhoods adjacent to Downtown that do not contain large concentrations of their target shopper (see trade area demographics).

Having said that, Downtown still boasts Talbots, Ann Taylor, Jos A. Bank Clothiers and Bailey Banks & Biddle⁵¹, even though each of these chains also has locations elsewhere in the region. Brands like these are ones that value a large and dense daytime-worker/business-traveler population as well as the proximity to the metro's lone Saks Fifth Avenue store.



Jos. A. Bank Clothiers, with a Downtown location even though it is "ubiquitous" in the region.

Yet another category lies between these two poles, consisting of larger chains and more established boutiques (or "local chain-lets") that have stores in more than one of the region's sub-markets (not one-per-market brands), but not in all of them (not the ubiquitous ones).

⁵¹ Brooks Brothers is not included here because in the Pittsburgh region, it has only opened one of its traditional stores (versus the Outlet and 346 concepts).

Examples include national chains such as Sephora (not in the South Hills) and Johnston & Murphy (not in the North Hills), as well as successful local operators like Orr's Jewelers (not in the South Hills), Footloose (not in the North Hills) and H. Baskin Clothier (not in the East End).

There is typically an explanation for why these retailers have not opened in certain parts of town. They might not be interested in those sub-markets. Or they might feel that the region as a whole cannot support another one of their stores. Or they have been unable to find space in the sort of center/street that interests them.

The last of these reasons would seem to suggest an opportunity for the Golden Triangle, as a location that can provide a more convenient alternative for a particular sub-market than the brand's existing stores, as well as offer a large daytime-worker population and a Saks Fifth Avenue anchor.

Neither of these sorts of brands, however, would be metro-wide destinations: that is, a Downtown location would have to rely heavily on other anchors and drivers for "impulse" shoppers. For this reason, co-tenancies are especially important to them: a critical mass of complementary retailers must be in place, or else they will not have what they need.

In the case of the Golden Triangle, the other demand-generators on which it would be relying -- drivers such as the large and dense daytime-worker/business-traveler population, and anchors like the Saks Fifth Avenue and the Macy's (which is itself ubiquitous), -- simply do not provide enough store traffic on the all-important weekends.

And while certain national brands, such as Nine West and Ann Taylor LOFT, might still have been worth pursuing for freestanding stores before SouthSide Works, their presence at that center enables them to tap the affluence to the south and east, and likely precludes an additional location in such proximity.

Moreover, Saks' departure would reduce the prospects still further: for the in-between chain, finding a location within the as-yet-uncovered sub-market(s) itself (rather than Downtown) would start to make more sense. Furthermore, one has to wonder whether the ubiquitous brands already in the Golden Triangle would remain if the upscale anchor were to leave.

In terms of national comparables, other second-tier downtowns -- even ones with high-end department stores -- have also struggled to attract large

numbers of these retailers. For example, Cincinnati, with its Saks Fifth Avenue, has a Tiffany & Co., Brooks Brothers, Jos. A. Bank Clothiers and Nine West. Dallas, with its Neiman Marcus, just has a Jos. A. Bank Clothiers. Cleveland has a Brooks Brothers, Nine West, Johnston & Murphy and MAC Cosmetics. Milwaukee and St. Louis have no up-market destination brands at all.

The exceptions prove the rule: downtowns with still-successful enclosed malls that have a critical mass of synergistic retailers and can generate large amounts of weekend traffic. The core of Norfolk, VA, its streets virtually devoid of shops, has managed to attract a slew of these up-market brands within MacArthur Center, a traditional 1,100,000 sq.ft. enclosed mall, developed by Taubman Company, that opened in 1999 with Nordstrom and Dillard's as anchors.



MacArthur Center, in downtown Norfolk, VA

Of course, a one-million square foot mall is unlikely to be built in the Golden Triangle anytime soon. Having said that, there remain a few retailers that might still be pursued, primarily local chain-lets such as **Orr's Jewelers**, the Squirrel Hill jeweler (once it digests the recent opening of its second location, in Sewickley) and **Eyetique**, the optician (given Downtown's large daytime-worker population).

Other fine-menswear brands might also be considered -- like, for example, Johnston & Murphy, for men's shoes -- but their arrival might spell the ruin of existing operators in what is already a very crowded sub-market.



Orr's Jewelers would be an worthwhile target for Downtown (although it might first need to digest the recent opening of its second location, in Sewickley).

Tenancing: One-Per-Market Brands

Finally, the coveted one-per-market luxury brands. In medium-sized markets like Pittsburgh's, with a limited number of households able to afford their expensive price-points, such retailers will typically open just a single store, and they will need for that one location to be easily reachable from most of the region's wealthy residential communities.

Such locations are, of course, difficult to find in a metropolitan area like Pittsburgh's, where the affluence is scattered in crescent-shaped form across the north, east and south, where hilly topography and the absence of a circumferential "beltway" hinders access, and where consumers typically stick to their own part of town for shopping.

Given such factors, Golden Triangle, of all of the major shopping destinations, would seem to be the one best-positioned to capture this sort of retailer. It sits at the center of the region's road network, at the intersection of I-376 and I-279, and is equally accessed from all of its bases of affluence.

For many of these one-per-market retailers, the relatively limited weekend foot traffic in the Golden Triangle (see above) might not be as much of a concern because, as the only locations in the region for their respective brands, they are more capable of drawing on their own; to a greater extent, they can be their own anchors. An example of this sort of retailer is Crate & Barrel.

However, Nordstrom's decision to open at Ross Park Mall in the North Hills could undermine the centrality argument, as its brand might be strong enough to overcome such centrifugal forces. As one local broker said, "women will walk barefoot through glass and barbed wire to shop at

Nordstrom"⁵², and as recent announcements at Ross Park indicate, luxury brands will do the same.

Furthermore, one-per-market chains might still be troubled by Downtown's on-going issues with public realm and unacceptable co-tenancies (see sub-section on "Public Realm" in "Site-Specific Factors" above), given how accustomed they are to more elegant surroundings and how much they have invested in building their brands.

Moreover, if a retailer is going to open only one store in a region, it is likely to be even more discriminating with regards to real estate, and not only is the Golden Triangle already low on possibilities, but also, the ones available now -- with the possible exception of the site at the southeast corner of Fifth Avenue and Wood -- are contained within existing buildings and do not offer a "build-to-suit" opportunity.

Finally, Downtown is dealing with competitors, like Simon Property Group, that not only have more credibility, clout and connections within the tenant community, but also, will fight even more fiercely for this sort of retailer, because it can provide such a boon for tenancing as well as serve as a point of differentiation in the region, and can justify a sweetheart deal to such a "loss-leader", because it will drive higher rents elsewhere in the center.

Tenancing: First-In-Market Brands

A related category consists of brands that are looking for the appropriate location for the first of what will be many stores in the region. In its initial lease-up, SouthSide Works was particularly effective at capturing this sort of retailer, signing, for example, REI and BCBG Max Azria, both of which are now opening second units elsewhere.

Of course, the benefit of having these retailers decreases over time, as the chain opens other stores across the region. For this reason, they are not as desirable as one-per-market brands; however, even in the short time when Downtown is their only location, they can have a beneficial impact, in providing a kick-start to re-tenancing efforts that then develop their own momentum, as happened at SouthSide Works.

The Golden Triangle would seem to be very appealing to such operators because, in addition to its aforementioned benefits, its other traffic drivers,

⁵² Patrick Kellner, local real estate professional, as quoted in a February 17, 2005 *Puget Sound Business Journal* piece by Tim Schooley entitled "Nordstrom planning Pittsburgh real estate deals?"

like the office market and the Cultural District, provide the sort of visibility that a newcomer might want in an effort to develop larger metro-wide brand recognition.

On the other hand, because they are new to the region, such operators might be even more cognizant of the impact that their real-estate decisions have on perceptions of their brand image, and given Downtown's issues with public realm and unacceptable co-tenancies, they might prefer to make their initial splash in a center with a more established reputation.

Tenanting: Firsts and Onlys?

With Ross Park's current momentum and competitive edge, it almost makes sense to cede the luxury sub-market until that center finishes with its re-tenanting, then look to see what other such retailers are still without space. Indeed, one has a hard time imagining an Intermix or a Barney's Co-Op, if given the choice, opting for Downtown instead at this point.

Yet even with all of the hype surrounding Ross Park, Downtown remains a formidable competitor for this "one-per-market" luxury retailer. In addition to its large contingent of daytime workers and business travelers, it still boasts the more central location, and in Saks Fifth Avenue, it retains the better anchor.

And speaking more generally, the signing of luxury names like Tiffany's, Burberry, Louis Vuitton and Michael Kors at Ross Park Mall will raise eyelids on the national level and serve to *validate* the Pittsburgh market as a whole, which can also help in efforts to attract similar brands to the Golden Triangle.

It is still, then, worth making a concerted effort to attract certain "game-changing" brands. The probabilities of success might be low, but the reward would be huge, in terms of the additional weekend traffic generated (and the new retailers that materialize as a result), the reversal of momentum and injection of morale for Downtown vis-à-vis Ross Park, and the difference that it might make in Saks' decision-making process.

Indeed, for these reasons, such one-per-market/first-in-market brands should be the ones targeted for any sort of incentive program, *not* the "ubiquitous" and "in-betweeners" operators, because with the presence of the former, so much of the rest -- interest from the latter, for example -- would take care of itself, without the need for subsidy.



Saks Fifth Avenue might say that co-tenants do not matter, that it has been doing without them for years. Which might be true, but if Downtown were to land a Crate & Barrel or an Anne Klein, it would matter.

For example, an aggressive push should be made to land **Crate & Barrel**: the chain has explicitly stated its interest in the Pittsburgh market, but it has yet to decide on a specific location. Given its lack of interest in existing buildings, the most promising Downtown site is the southeast corner of Fifth Avenue and Wood, where, with new construction, the brand can make one of its trademark architectural statements.

With Crate, other one-per-market chains to target for Downtown include **The Container Store**, the purveyor of home/office storage solutions that often co-locates its 25,000 sq.ft. stores with Crate & Barrel; **Cost Plus World Market**, an upscale box brand selling a diverse mix of specialty imports (e.g. home furnishings, kitchen-wares, international foods, wines, etc.); and **West Elm**, a division of Williams-Sonoma that sells up-market but reasonably-priced contemporary home furnishings.



Crate & Barrel would need a site where it could build from the ground up.

The presence of a Crate & Barrel would have an impact on Saks' thinking and seems to be a realistic possibility, but it is hard to imagine most of the other brands on its list of preferred co-tenants giving serious consideration to Downtown Pittsburgh. Even with ones that would venture beyond the

nation's first-tier markets, Ross Park's momentum would be difficult to overcome.

Furthermore, others that might be slightly more plausible -- like ones appropriate to the large contingent of business travelers and office workers - - could serve to undermine existing Downtown retailers. For instance, Tumi already sells its high-end suitcases through the Specialty Luggage store on Liberty, while Montblanc and its writing implements could threaten Weldin's.

Finally, as discussed above in connection with ubiquitous and in-betweeners chains, certain one-per-market or first-in-market brands, like Z Gallerie, Cole Haan and BCBG Max Azria, might have been worth pursuing before SouthSide Works, but their presence at that center enables them to tap the affluence to the south and east, and likely precludes an additional location in such proximity.

Having said that, a few other options remain, perhaps low-probability ones, but as explained above, worth the effort. These include **Ralph Lauren** (which showcases all of the designer's collections), **Betsey Johnson**, **Max Studio** and **AK Anne Klein** (the division of the brand that sells moderately-priced shoes, handbags and other accessories).

Other one-per-market retailers worth pursuing include:



Design Within Reach (DWR). This San Francisco, CA-based chain, a mecca for classic mid-century furniture, has yet to open in the Pittsburgh market even though it can be found in similar ones elsewhere (e.g. Cleveland, Milwaukee, St. Louis). And while the aesthetic sensibility that it embraces might not be mainstream, one can point to the success of Perlora as evidence that it can be viable here.

Given the high pricing and niche appeal of the pieces, Design Within Reach might value Downtown's centrality and access to the region's bases of

affluence. The chain prefers lower-rent storefronts, with floor-plates ranging from 1,200 to 11,000 sq.ft., in buildings of architectural significance and with urban design elements (e.g. brick walls, hardwood floors, high ceilings or exposed beams, etc.); it would probably prefer a Cultural District location.



Loehmann's. A storied name in New York City retailing, this Bronx, NY-based chain is an off-price retailer of designer labels in a similar category as the up-market box brands discussed earlier. It is located in 17 states across the country, including Pennsylvania, where it has a store in Drexel Hill, a Main Line suburb. Note, however, that Loehmann's typically focuses on large first-tier markets. As a medium box, its space needs can be assumed as 20,000 to 40,000 sq.ft.



Daffy's. This Secaucus, N.J.-based off-price fashion retailer, also known for its slogan "Clothing Bargains for Millionaires", is also in a similar category as the up-market box brands discussed earlier. It is found almost exclusively in the New York City area, although it does have a store in Pennsylvania, in Center City Philadelphia. Note, however, that Daffy's has no locations west

of that at the moment. A medium-box as well, its space needs can be assumed as 20,000 to 40,000 sq.ft.



Nordstrom Rack. The off-price format of the Seattle, WA-based Nordstrom, this retailer sells discounted merchandise from the parent store as well as special-purchase items. It is in a number of markets that also have full-line Nordstrom units, as well as medium-sized ones comparable to Pittsburgh. A medium-box user, its space needs range from 20,000 to 40,000 sq.ft.



MAC Cosmetics. Although already available at the Macy's store on Fifth Avenue, this Estee Lauder-owned brand also retails its products at freestanding, 1,500-2,000 sq.ft. concept stores. Popular in the fashion world and celebrity circles, it enjoys cross-cultural appeal, operating locations, for example, on Harlem's 125th Street and in Downtown Cleveland's Tower City Center mall.



South Moon Under. This Berlin, MD-based retailer of young, trendy fashions, which currently operates 11 units across the mid-Atlantic, is looking to take advantage of advantageous leasing deals in a weakening economy and open as many as seven new stores over the next three to five years. It requires 3,500 to 5,500 sq.ft. spaces and is looking for urban storefronts, with an interest in having: 1) both chains *and* boutiques as co-tenants, and 2) office and residential populations as drivers of repeat traffic. Noteworthy locations include Center City Philadelphia's Chestnut Street and in Downtown Baltimore's emerging Harbor East neighborhood.

Site Control

Given that one of Downtown's competitive disadvantages is its relative lack of possible spaces to offer to prospective tenants, the PDP should work with the Urban Redevelopment Authority (URA) to obtain site control over key parcels that have long been in the hands of property owners either not interested in or able to redevelop for higher-value retail uses.

For example, given their importance to Downtown retail, it is critical that the Mellon Bank Building and the parcel at the southeast corner of Fifth Avenue and Wood be in the right hands. J.J. Gumberg & Co. has been unable to secure a tenant for the former in 3.5 years, and the current owner of the latter is unwilling either to sell the property at a reasonable price or to invest in improvements on its own.

The PDP and URA, however, should *not* move ahead *on spec*; before seizing or buying such properties, they should, in collaboration with a retail development partner as well as other relevant stakeholders, create a plan

for redevelopment, make the case to possible retailers and obtain commitments from key anchors. Such outreach should be handled by this partner and trained PDP staff; the team should *not* rely on a broker, who would not necessarily be incentivized to focus on such properties.

The PDP and URA might also consider the possibility of signing master-leases for retail space in key building(s) and assuming the responsibility, again, in concert with a development partner, of pursuing desired tenancies. Once more, such efforts should *not* proceed *on spec*, but only once commitments have been secured.

In addition, the PDP and URA might explore the idea of including a "right-of-first-refusal" on the leasing of retail space in sales of URA properties to private landlords, so as to ensure on-going control over tenant mix and to provide some level of comfort and predictability for prospective operators and investors.

Finally, the PDP and URA should not be insensitive to the position of existing tenants. For example, the wig store at 300 Fifth Avenue should be assisted in its relocation to a suitable space elsewhere in Downtown, also along a bus line. Although that tenant might have only been on a month-to-month lease, this makes sense on political grounds alone, to avoid the tumult of earlier redevelopment efforts in that corridor.

Tenant Recruitment and Retention Fund

Just as the PDP and URA would be acting like the typical mall developer in establishing site control, they should do so in the offering of incentives and provision of assistance to new tenants, such as boutiques, up-market box brands and one-per-market retailers, exploring the possibility, for instance, of funding the build-out of such spaces to meet their needs.

This is a *critical piece* in attracting retail -- especially larger anchor stores -- to the Golden Triangle. In order to compete on a level playing field with shopper-center developers, Downtown *must* be willing and able to offer the same sorts of carrots, and for reasons already mentioned, one cannot necessarily expect the property owners to assume this burden.

Just as importantly to the tenant recruitment effort, the PDP and URA should do whatever it would take to retain existing anchors. Without Saks Fifth Avenue, for example, most of the up-market brands referenced in this chapter would have little interest in the Golden Triangle, and so, no effort or resources should be spared in the push to keep the department store in Downtown.

The precise form that such recruitment or retention inducements would take, however, requires further research that is beyond the scope of this study.

Bus Stops

The issue of buses is a tricky one. On one hand, the crowded sidewalks and lower-income street traffic create challenges for leasing efforts on Fifth Avenue and elsewhere. On the other, many businesses rely on the existing routes and stops remaining *as is*, such shoppers have few alternatives closer to home, and their presence tests the commitment to Downtown as a true "crossroads" that belongs to everyone.

One possible compromise, offered here without full understanding of its impact on the existing network, is to keep buses on Fifth Avenue but remove one of the two stops at Wood and Smithfield, preferably the one at Smithfield, so as to improve the tenanting potential of spaces closer to that corridor, while at the same time positioning Wood between Fifth Avenue and Forbes as the new lower-income/cross-over shopping destination (see section below).

Parking

In the early 2000's, the Authority offered free evening/weekend parking during the holiday season. It again offered the perk for seven days (including Thanksgiving weekend the four Saturdays in December) last winter, but only as part of an earlier compromise with the Mayor.

PDP should continue to work towards a permanent policy of this sort. During that 2001 holiday season, 62,000 more cars parked in Pittsburgh Parking Authority's Downtown facilities, with 40% saying that they would not have to come otherwise.⁵³ "It made the shopping season for [Downtown retailers]", said Mariann Geyer, then-executive director of the Partnership.⁵⁴

Also, speaking more generally, a City and Parking Authority willing to take a hit on parking revenue in order to lure shoppers Downtown -- with free evening/weekend parking, decreases in taxes and rates -- will demonstrate that the public sector is serious about promoting retail in the Golden Triangle.

⁵³ According to an August 2002 report by the Allegheny Institute For Public Policy report, entitled "Parking in the Golden Triangle: How Pittsburgh compares to similar cities".

⁵⁴ As quoted in an October 22, 2002 *Pittsburgh Post-Gazette* article by Tom Barnes, entitled "Sparkle season gets snuffed out".

In terms of the parking tax, it remains critically important that the City continue with State-mandated reductions. However, the levy will not be eliminated entirely -- the State only requires that it drop to 35% by 2010. In order, then, to decrease the effective cost still further, PDP should focus once again on the creation of a parking validation program.

Lower-Income/Culture-Specific Destination Retail - Review of Competition

Most of the neighborhoods surrounding the Golden Triangle consist largely of lower-income households. However, their business districts -- whether they be East Ohio Street, Federal Street or Brighton Road on the North Side, Centre Avenue in the Hill District, Fifth Avenue in Uptown, Brownsville Road in Mt. Oliver, Warrington Avenue in Allentown, etc. -- offer very little destination retail.

Needing to travel some distance for such shopping is not atypical: residents of more affluent communities often have to do the same, particularly in the Pittsburgh metro. However, the level of inconvenience can be especially great for lower-income consumers, since they are more often dependent on public transit. Again, roughly one-third of the households in Downtown's trade area do not own an automobile.

Such consumers will often shop at the same middle-market malls as everyone else -- like The Waterfront at Homestead, Monroeville Mall or The Mall at Robinson -- but they also look for even deeper discounts and lower price-points and, in certain cases, for merchandise that is culture-specific, like, for instance, African-Americans and hip-hop apparel.

Examples of lower-income anchors are Kmart, Value City, Big Lots, A.J. Wright and Gabriel Brothers, while smaller in-line brands include Payless ShoeSource, Rainbow Shops, DOTS Fashion and Life Uniform. Culture-specific concepts --- focused, in this case, on the African-American shopper - - would be Man Alive, TNT Fashions and Ace Athletic.

Such stores typically pay less in rent and are *not* a landlord's first choice. They often concentrate in centers and districts that were once filled with mass-market fare but have since been out-flanked by newer competitors. Not surprisingly, such properties are often candidates for redevelopment, and their lower-income/culture-specific mixes, as a result, unstable.

The following first reviews the limited selection of lower-income retailers in the close-in neighborhoods themselves, then proceeds to the districts and centers in the larger region that such shoppers would patronize for deep-discount fare.

"Close-In" Neighborhoods

A modest collection of lower-income chains can be found at **Wharton Square**, a 112,000 sq.ft., strip mall connected to a Giant Eagle supermarket

on 20th Street and Merriman Way, five short blocks north of East Carson Street. However, most of these brands can already be found in Downtown, making Wharton Square more of a community-wide draw for the poorer households in the South Side Flats, the Hilltop neighborhoods, etc.



Wharton Square (South Side Flats)

Location: Merriman Way and 20th Street

Distance/Access: 7-minute drive (via 10th Street Bridge/E. Carson St); 14-minute bus ride (via 51A); 1.30 miles ("as the crow flies")

Size: 112,000 sq.ft.

Anchor: Giant Eagle ("shadow anchor")

Lower-Income Retailers: Payless ShoeSource, Rainbow Shops, DOTS Fashions, Rent-A-Center, etc.

On the other hand, a small number of culture-specific independents scattered along **East Carson Street** include ones that have (e.g. Mad Momma Designs) or are aiming for (e.g. Soul II Sole) a metro-wide draw.



East Carson Street (South Side Flats)

Distance: 5-minute drive (via 10th Street Bridge); 8-minute bus ride (via 51G); 1.22 miles ("as the crow flies")

Culture-Specific Retailers: Ace Athletic, Gawp, Soul II Sole, etc.

The Hill District has struggled to attract national chains, perhaps due to its physical isolation. However, its main commercial corridor, **Centre Avenue**, does contain a few larger draws, like the Down Low Clothing boutique and Fahrenheit 212 salon (co-owned by Steelers' defensive back Mike Logan and patronized by athletes and celebrities), and it might attract still more if a Save-A-Lot grocery anchor is ultimately built in the heart of the Hill's primary business district.



Centre Avenue (Hill District)

Distance: 4-minute drive (via Centre); 12-minute bus ride (via 81B); 0.99 miles ("as the crow flies")

Culture-Specific Retailers: Down Low Clothing, Fahrenheit 212, Star Optical-Davis Group, etc.

The North Side commercial corridors of **East Ohio Street**, **Federal Street** and **Brighton Road** collectively contain a handful of shopping destinations for lower-income households, although again, they are virtually devoid of national chains. This, however, could change with the URA-led redevelopment efforts at Federal and North, where the Garden Theater has finally been seized and closed, and a new Carnegie Library branch will soon open.



East Ohio Street, Federal Street and Brighton Road (North Side)

Distance: 4-minute drive (via Roberto Clemente Bridge/Allegheny Commons); 9-minute bus ride (via 500, to Montgomery); 1.14 miles ("as the crow flies")

Lower-Income/Culture-Specific Retailers: Goodwill Stores, Rent-A-Center, Star Optical-Davis Eye Group, H.A. Smith & Son's Uniforms, Pittsburgh Swap Meet, Unda'Ground Lounge, etc.

With so little in their immediate neighborhoods, lower-income households have two choices: head Downtown or to districts/centers further out.

East Liberty

East Liberty has long been a major shopping destination for lower-income households in East End neighborhoods such as the Hill District and Garfield, as well as inner-ring suburbs like Wilkinsburg and Penn Hills.

However, development pressures are mounting (see above), and while a collection of lower-income/culture-specific stores remains on Penn Avenue, adjoining streets and in nearby strip malls -- including metro-wide draws like

Time Bomb and 720 Records -- it might just be a matter of time before many of these are displaced.

As for the newer arrivals, the Whole Foods-anchored Eastside development has focused on up-market stores, and other projects like Bakery Square and Baum-Liberty are hoping for the same. However, the business district would retain at least some of its price accessibility if future plans for discount-oriented box stores (e.g. Target, Mosites' "Eastern Gateway" site, etc.) come to fruition.



East Liberty

Distance: 13-minute drive (via Bigelow Blvd/Baum Blvd); 19-minute bus ride (via 77B); 4.15 miles ("as the crow flies")

Lower-Income/Culture-Specific Retailers:
Rainbow, TNT Fashions, Ace Athletic, Goodwill Stores, Star Optical-Davis Eye Group, Time Bomb, 720 Records, Babyland, etc.

For deep-discount retail, lower-income households on the East End and in the eastern suburbs also look to centers like **Edgewood Town Centre** (Kmart, AJ Wright); **Penn Hills Shopping Center** (Big Lots); soon, **Eastgate Commerce Center** (Wal*Mart Supercenter); **Waterworks Mall** (Wal*Mart, etc.); and, of course, the larger **Monroeville Mall** area (Kmart, Gabriel Brothers, etc).

Poorer residents of Lawrenceville, Bloomfield and Garfield might also shop at **Shaler Plaza** (Kmart) or the larger **McKnight Road** corridor (Kmart, Gabriel Brothers, etc).

West Side/North Side

The **Parkway Center Mall**, an enclosed, three-level, 500,000 sq.ft. center at Exit 4B off I-279 in Greentree, draws lower-income shoppers on the West Side and South Side Flats not so much because of its collection of stores -- two of the three levels have been closed, and the third is rife with vacancy -- but due to its 90,000 sq.ft. Big K (Kmart), the closest discount department store to Downtown. However, future plans for the center remain unclear.



Parkway Center Mall (Green Tree)

Location: I-279 and Parkway Center Drive (Exit 4B)

Distance/Access: 8-minute drive (via I-279); 28-minute bus ride (via 36D); 2.43 miles ("as the crow flies")

Owner: Kossman Development Company

Size: 500,000 square feet on three levels

Anchors: Kmart, Giant Eagle, Warehouse Flea Mart

Lower-income households on the West Side also shop at **Crafton-Ingram Shopping Center** (AJ Wright); **McKees Rocks Plaza** (Big Lots); **Parkway Plaza** (Wal*Mart); the larger shopping area in Bridgeville, with **Chartiers Valley Shopping Center** and **Great Southern Shopping Center** (Kmart, Big Lots, etc.); and, of course, the still-larger one in **Robinson/North Fayette/Moon** (Wal*Mart Supercenter, Super Kmart, etc.).

On the North Side, they will head to the **West View Park Shopping Center** (Kmart); **Shaler Plaza** (Kmart); **Waterworks Mall** (Wal*Mart, etc.), or the larger **McKnight Road** corridor (Kmart, Gabriel Brothers, etc.).

Century III Mall

The region's premier shopping destination for lower-income households, and one which draws especially from the South Side's Hilltop neighborhoods and the southeastern suburbs, is the **Century III Mall**, a three-level, 1.3 million sq-ft, center at the intersection of Lebanon Church Road and Clairton Road in West Mifflin.

A traditional mall with department store anchors (e.g. Sears, J.C. Penney, etc.) as well as a Steve & Barry's University Sportswear, it also offers a concentration of lower-income/culture-specific chains. In addition, nearby strip centers include a number of other standards for this shopper, such as Wal*Mart (Supercenter), Kmart, Value City, Gabriel Brothers and Big Lots.

Century III's owner, Simon Property Group, has had little choice but to move in a lower-income direction, given demographic decline in the trade area, and an unfortunate location between the Simon-owned South Hills Village, which is better-positioned to attract "A-list" tenants (nestled as it is within

the affluence of the South Hills) and the Waterfront at Homestead, which has had a devastating impact on the center since opening in 1999.

As is often the case with such working-class malls, Century III's future is uncertain. The overall model is not working: vacancy levels are high, and revenue has declined dramatically in the 2000's. Simon, in fact, has been trying to sell the property since 2006. Contrary to rumor, the center will probably not close in the short-term, given the number of tenants that still remain, but some sort of redevelopment is likely.



Century III Mall (West Mifflin)

Location: Lebanon Church Road and Clairton Road

Distance/Access: 21-minute drive (via Liberty Bridge/State Route 51); 32-minute bus ride (via 46G); 7.65 miles ("as the crow flies")

Owner: Simon Property Group

Size: 1.3 million square feet on three levels

Anchor: Sears, J.C. Penney's, Macy's, Macy's Furniture Galleries, Steve & Barry's University Sportswear, Dick's Sporting Goods

Lower-Income/Culture-Specific Retailers: Payless ShoeSource, Rainbow, Man Alive, 5-7-9, Life Uniform, PCX, etc.

Nearby: Wal*Mart (Supercenter), Kmart, Value City, Gabriel Brothers. Big Lots. etc.

Lower-Income/Culture-Specific Destination Retail - Downtown's Competitive Positioning

With so few destination retailers in the lower-income neighborhoods close to Downtown, and with so many households there reliant on mass-transit and easily able to access Downtown by bus, it is no surprise that this demographic can be found in such large numbers on the Golden Triangle's streets and in its stores.

The retailers themselves are drawn to Downtown -- and especially to bus corridors like Fifth and Wood -- because it is the nexus of the region's transit network, and because they value its centrality to all of these rather isolated lower-income neighborhoods, which might not be able to support a branch on their own.

The issue, of course, with such stores is that their presence and target shopper can be a deterrent to other prospective retail and non-retail tenants, and de-value Downtown's brand in the minds of suburbanites, visitors and potential investors. Regardless of how one feels about this or what it says about our culture, it is the reality.

Indeed, one has to wonder whether these sorts of tenants have much of a future in a resurgent Downtown with a number of ambitious redevelopment schemes and actual new projects. Again, lower-income/culture-specific retailers tend to concentrate on streets where rents are low and landlords see few other options, and those are becoming increasingly hard to find in the Golden Triangle.

As discussed earlier, an alternative sort of tenant is the one that appeals across cultural and socio-economic lines, that enhances the Golden Triangle's brand and improves its tenaning prospects while at the same time remaining affordable to lower-income households. Such "cross-over" retailers seem to represent an ideal balance for downtowns surrounded by poorer neighborhoods.

The previous section discussed upscale box brands, like T.J. Maxx and Loehmann's, that could play this role, although there is another sub-set of larger-format retailers -- the "mid-market" box brands -- that appeal even more directly to lower-income shoppers, such as Burlington Coat Factory (which, of course, already has a Downtown location), Old Navy (which closed its store in the Golden Triangle), Marshalls, Ross Dress For Less, Famous Footwear, Forever 21 and Anna's Linens.

Other Locations of Mid-Market Box Stores in Pittsburgh Metro

Marshalls: WaterWorks Mall, Waterfront at Homestead, Monroeville, Robinson

Ross Dress For Less: WaterWorks Mall, Pittsburgh Mills

Famous Footwear: WaterWorks Mall, Monroeville, Mt. Lebanon, Robinson, Mt. Nebo

Forever 21: SouthSide Works, Robinson, Ross (XXI), Monroeville

Anna's Linens: None

In addition, there is a sub-set of mall-based chains that attract this sub-market but also enjoy some level of mainstream acceptability and have been known to locate in downtown settings. These would include brands like Lane Bryant, New York & Company, Bakers, Dress Barn, The Children's Place, Kay Jewelers and Mande.



Mandee, part of the Totowa, NJ-based Big M Inc., sells trendy fashions to budget-conscious young women. Its 120+ locations are concentrated in the New York City metropolitan area, although it has stores in seven states, including 11 in Pennsylvania.

In spite of the ubiquity of mid-market brands across the region, these sorts of retailers are the ones perhaps most likely to be interested in the Downtown opportunity, given the earlier-discussed challenges associated with attracting up-market retail to the Golden Triangle.

Competition for the Mid-Market Brands

One of the closest competitors for this tier of retailer is **WaterWorks Mall**, in Fox Chapel. There, one can find Wal*Mart, Marshalls, Ross Dress For Less, Old Navy and Famous Footwear (in addition to the T.J. Maxx). In-line tenants at the center include The Children's Place, Dress Barn, Max Rave and King's Jewelry.



WaterWorks Mall

Location: Freeport Road, near Fox Chapel Road

Distance/Access: 14-minute drive (via State Road 28); 6.68 miles ("as the crow flies")

Mid-Market Box Brands: Wal*Mart, Marshalls, Ross Dress For Less, Old Navy, Famous Footwear, etc.

Other Mid-Market Tenants: The Children's Place, Dress Barn, Max Rave, King's Jewelry, etc.

The other nearby competitor is **The Waterfront at Homestead**, with a Marshalls and an Old Navy (in addition to the upscale box brands, Target, T.J. Maxx, Filene's Basement and DSW Shoe Warehouse), and with smaller-format retailers that include The Children's Place, Dress Barn, King's Jewelry and Lane Bryant.



The Waterfront at Homestead

Location: Underneath the Homestead Grays Bridge

Distance/Access: 12-minute drive (via I-376/Browns Hill Road); 4.86 miles ("as the crow flies")

Mid-Market Box Brands: Marshalls, Old Navy, etc.

Other Mid-Market Tenants: The Children's Place, Dress Barn, King's Jewelry, Lane Bryant, etc.

Also, SouthSide Works includes a Forever 21 along with its H&M, as well as the Key Jewelers. And finally, while East Liberty does not have any mid-market box brands yet, it is possible that one or more might materialize in the event that efforts to attract more upscale stores prove unsuccessful, with a large concentration of lower-income shoppers to the east and southeast.

An Additional Challenge: The "Black Eye"

In addition to the challenges posed by nearby competition, the closures and struggles of similarly-oriented brands over the last decade might make mid-market retailers a bit hesitant about the Golden Triangle. Old Navy shut its doors in 2003, then Lazarus-Macy's in 2004, and sales at Macy's have

reportedly plummeted since the changeover from the Kaufmann's nameplate.



Piatt Place might be a shining example of Downtown's resurgence, but the earlier failure of Lazarus-Macy's, as well as other similarly-oriented retailers, still hurts efforts to attract mid-market brands to the Golden Triangle today.

Opportunities for Mid-Market Brands

Macy's struggles, however, are not specific to its Golden Triangle location, and the Burlington Coat Factory has been very successful. Indeed, this supposed "black eye" seems to conform to a familiar double-standard, that store failures in suburban shopping centers are blamed on the retailer, ones in downtowns on the downtown.

Furthermore, even with the nearby competition, the Golden Triangle's draw would still seem to be sufficiently large for mid-market box brands like **Ross Dress For Less** and **Famous Footwear**, especially given the added boost from the large daytime-worker population and the Macy's anchor. (Marshalls might be less likely, as it has stores at both The Waterfront at Homestead *and* WaterWorks Mall).

Forever 21 already has the store at SouthSide Works, with a trade area that overlaps with Downtown's. But if that unit is performing so well that another one would be justified, and/or if the "cheap-chic" purveyor feels that a location in the Golden Triangle could provide access to a separate market (i.e. lower-income African-Americans, whom it does target elsewhere), there could be interest.

Another possibility is **Anna's Linens**, which sells discounted home fashions (e.g. bedding, window treatments, home accessories, etc.), in a somewhat smaller, 7,000 to 11,000 sq.ft. box. With its low prices on brands like Oneida and Wamsutta, the chain is especially popular among moderate-income minority households, but it is making a pitch in the current economic climate for more affluent shoppers. It has almost 250 stores nationwide, including six in Pennsylvania, but none yet in the Pittsburgh market.



The Anna's Linens store in the "Cityplace" project in Downtown Long Beach (CA).

As for the smaller in-line retailers, the most likely possibilities⁵⁵ would seem to be **New York & Company**, for which nearby competition is not as much of an issue (its nearest location is at Ross Park); **Dress Barn**, which, although it already has stores at The Waterfront at Homestead and WaterWorks Mall, might still be intrigued with the Golden Triangle, with its easy access for the large office-worker population, given the chain's focus on career women; and possibly, **Mandee**, if it could be persuaded to continue its march westward across Pennsylvania and enter the Pittsburgh market.

Finally, in recognition of its importance as an anchor for mid-market retail and for Downtown more generally, the PDP and the URA should lobby Macy's to re-invigorate its Fifth Avenue flagship, while at the same time working with it to coordinate a possible redevelopment of the enormous building, involving, for example, a smaller, more appropriate retail floor-plate along with other uses on the higher floors.

⁵⁵ The Children's Place and Kay Jewelers would be more focused on the residential demand (as opposed to, say, the office workers), and might feel that their nearby locations (The Waterfront at Homestead and WaterWorks Mall for The Children's Place, and SouthSide Works for Kay Jewelers) already cover that market. Bakers will be opening very few stores in 2008.



The hulking structure that housed a Boston Store department store and regional headquarters was renovated in the early 2000's to include downsized store, improved office space and 74 luxury apartments. This would seem to be a possible model for the redevelopment of the Macy's building in the Golden Triangle.

Mid-Market Retail: Co-existing With The Push To Upscale

These chains tend to draw heavily from the transit-dependent, and so they could be nervous about the uncertainty surrounding possible changes in routes and stops that might result from the Port Authority's current review of the existing network, or from efforts on the part of developers, brokers and civic boosters to remove buses from transitioning corridors like Fifth Avenue.

Buses are a sensitive issue in the Golden Triangle. When Millcraft Industries proposed the removal of buses from Fifth Avenue in 2006, virtually all of the corridor's existing merchants howled in protest, saying that bus traffic is their lifeblood.⁵⁶ Their customers are the ones using Downtown Pittsburgh as a lower-income shopping destination, and they rely on transit to get there.

This issue of bus routes and stops, then, speaks to a larger tension, between lower-income/culture-specific destination retail and a resurgent Downtown hitting its stride with new developments, new restaurants, new residents, etc. It rises to the surface on Fifth Avenue, because, with projects like Piatt Place, that is where these two contrasting visions are battling for turf.

⁵⁶ See May 2, 2006 *Pittsburgh Post-Gazette* article by Mark Belko, entitled "5th Avenue developer asks for bus rerouting"



Buses: a raw nerve in the Golden Triangle

Also, while these "mid-market" brands retain a certain broad acceptability, they do not have the same cachet and pull among more affluent shoppers as the upscale ones, and while perhaps tolerable if on the next street, they would not necessarily be welcomed *next door* to Downtown's higher-end anchors (e.g. Saks Fifth Avenue) and projects (e.g. Piatt Place). This further limits the spaces that could be used for such tenancies.



The nuance of cross-over: Stein Mart might be appropriate for Piatt Place, but not Ross Dress For Less

A Possible Solution: Wood Street For Mid-Market

One solution is to designate Wood, between Fifth and Forbes, as the "mid-market" block, with the tenant mix in the PDP/URA-led redevelopment of its east side including the sorts of mid-market box and in-line brands referenced above, and with the lower-income shoppers taken to/from via bus stops along Wood and at Fifth and Wood.

In deference to Piatt Place's co-tenanting needs, up-market box and in-line brands will be pursued for the space at the southeast corner of Fifth and Wood (the bus stop is on the southwest). Again, as proposed above, the

bus stop at the corner of Fifth and Smithfield would be eliminated, so as to facilitate leasing efforts at that key intersection.

This mid-market positioning for Wood makes sense in light of the demographic to which it currently caters, but represents an improvement on the tenant mix there now. At the same time, it fits with the value-oriented, student/20-something retail envisioned for Wood south of Forbes (see Chapter 4).



The east side of Wood, from Fifth Avenue to Forbes: mid-market, with upscale at the corner, providing for lower-income customers while protecting and enhancing the value of the investment at Piatt Place

The result of this design is a core shopping area that serves as a true "cross-roads", that raises the tenanting standard, moves to the other side of the tipping point and protects/enhances the value of recent investments on Fifth Avenue, but at the same time, appeals across socio-economic/cultural lines and remains accessible to the lower-income shopper.

Destination Retail: Tenanting Possibilities

Target
Filene's Basement
Stein Mart
DSW Shoe Warehouse
Orr's Jewelers
Eyetique
Crate & Barrel
Ralph Lauren
Betsey Johnson
MAX Studio
AK Anne Klein
Design Within Reach
Loehmann's
Daffy's
Nordstrom Rack
MAC Cosmetics
South Moon Under
Ross Dress For Less
Famous Footwear
Forever 21
Anna's Linens
New York & Co.
Dress Barn

